

IN THE COURT OF THE TRANSPORT TRIBUNAL
TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1958 No. 1)



To Confirm the
British Transport Commission (Passenger)
Charges Scheme, 1958

TUESDAY, 23RD JUNE, 1959

TWENTY-SECOND DAY



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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

TUESDAY, 23rd, JUNE, 1959

PRESENT:

SIR HUBERT HULL, C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., C.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. PATRICK BROWNE (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Sir MILNER HOLLAND, Q.C., C.B.E., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Hampstead Borough Council and the Islington Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ROY CALVOCORESSI (instructed by Mr. G. E. Smith) appeared on behalf of the West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council, Wanstead and Woodford Borough Council.

Mr. S. H. NOAKES (instructed by Mr. N. P. Lester) appeared on behalf of Hastings Borough Council.

Mr. A. E. TELLING (instructed by Messrs. Radcliffes & Co.) appeared on behalf of the London Passengers' Association.

Mr. M. G. MCKENZIE appeared on behalf of the Middlesex County Council, Berks County Council, Bucks County Council, Hertford County Council and Surrey County Council.

Mr. K. H. WALKER, Deputy Clerk of the Monmouth County Council, appeared on behalf of Anglesey, Cambridge, Cheshire, Cumberland, Denbigh, Dorset, Durham, Flint, Glamorgan, Hampshire, Isle of Ely, Isle of Wight, Lancs, Leicester, Merioneth, Monmouth, Norfolk, Northampton, Nottingham, Oxford, Soke of Peterborough, Somerset, Stafford, West Sussex, Worcester and Kent County Councils.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. A. E. ROGERS represented the South East Essex Railway Travellers' Association (formerly Benfleet and District Railway Travellers' Association).

(*President*): Mr. Fay, I would like to say this before you begin. We are causing to be printed in the Short-hand Note both the Representation, with its tables, received from the Transport Commission, and also all the other representations from people who possess a *locus standi* and who did appear at the Inquiry. It will be found also that we are causing to be printed a table which was not put in at the previous part of this Inquiry, which was prepared by Mr. Lawson in accordance with a request I made to him, I think on the last day. It is desirable that everyone should have it, and that therefore will also be printed.

(*Mr. Fay*): If you please, Sir.

We are here again, having met last on the 16th March, to consider, as I understand it, the effect of the Interim Decision of the Tribunal dated the 8th May. As you know, Sir, following that Interim Decision, the Commission did two things; it supplied the Tribunal with what I propose to call the half-way season ticket scale for which the Tribunal asked, and the estimate of yield, again for which the Tribunal asked.

The second thing the Commission has done is to lodge with you a representation upon matters arising out of the Interim Decision, and the Commission has also lodged and circulated to the Objectors certain additional tables which it was thought desirable to have before the Tribunal and before the Objectors, in connection with the representations.

I do not propose to do anything by way of opening a case at this stage, Sir; as I understand your decision, or your notice convening this resumed sitting of the Inquiry, it was thought right that the Commission's Representations should be examined in public. Those Representations have been fully made in written form; I might say, in the American phraseology to which we sometimes descend in these meetings, that we have "lodged our Brief", and I do not know that it falls to me to expand that Brief in any way. I am content to allow the memorandum, or representation, to speak for itself, supported as it is by the documents both annexed to it and subsequently filed.

Perhaps, however, I should mention, in order that the position may be brought up to date, one or two matters which have affected the net revenue position of London Transport, and which have arisen since we last met.

(*President*): Mr. Fay, the reason why we resumed the Inquiry is quite simple. You on behalf of the Commis-

sion, and at any rate some of the Objectors, asked, before the Inquiry was, as I shall now say, adjourned, that if any substantial alteration seemed to us desirable in your estimates or in the scales of new fares which were said to be required in order to meet those estimates, that you and they should have an opportunity of considering the changes that that decision of ours would make necessary. We hoped, though not very strongly, that it would be possible to discuss the necessary changes without having a public hearing; but having looked at your representation, it appeared to us to be quite clear that there ought to be a public hearing, and judging from the number of people that are here present, I gather that that view has commended itself to those people.

(*Mr. Fay*): Yes, Sir, and it is a view with which I would respectfully agree. I think that this hearing may well serve a very useful purpose from all points of view, but what I was, I hope, saying about it was that I did not propose to prolong the proceedings by anything in the nature of a formal opening of the case. I hope the Commission's standpoint on all major issues has been fully made known during the 21 days during which we considered the Scheme down to the 16th March; it is matters of detail arising out of the Interim Decision that it seems to the Commission should be dealt with now, and I am content to allow the representations to speak for themselves.

I was about to say that there have been certain changes in the net revenue position which it is right that everyone should know. In the first place, since we last met, there has been a Budget windfall in the case of road transport; the reduction of licence vehicle duty in London Transport has resulted in a saving this year of £0.35m., and in a full year, from 1960 onwards, it will result in a saving of £0.45m.

(*President*): I do not know whether the Finance Bill has yet been passed, but is the repeal to operate from the date of the Budget or from the beginning of the financial year?

(*Mr. Fay*): I am told it is from the 1st April, Sir.

That is a step in the right direction, but unfortunately there have been some steps in the other direction. In the first place there has been an increase of costs of £0.1m. a year due to minor wage increases affecting those portions of the staff of London Transport whose wages are governed by agreements in other industries. As you know, Sir, there has been no increase in the transport industry, but there are some employees of London Transport who

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[Continued]

are governed by other agreements outside the transport industry. That is £0.1m. the other way.

There is another £0.1m. the other way due to the fact that certain economies which were assumed in the estimates upon which the 1959 budget was based have not been implemented. Those are economies which were not implemented following representations by the Consultative Committee; most of the money there is in the proposed curtailment of late running of Underground Railways which, as I think is generally known, has not been introduced following representations of the Consultative Committee. So that has worsened the position as against our forecast, by £0.1m.

The final matter, Sir, is that the traffic receipts continue to show a shortfall compared with the forecast upon which our deliberations were based. Among the exhibits handed to the Tribunal and to the Objectors is a revised, or more fully completed, version of Exhibit BH.17a. That is printed showing the traffic receipts down to the week ending 31st May, by which time the deviation from budget was 1.1 per cent. in the downward direction, amounting to a shortfall to that date of £353,000 in receipts.

Since that document was prepared, two further weeks' results have become known, and the Objectors will share the Commission's pleasure in hearing that they show pluses in the deviation from budget column; it is an example of how the weather affects the operations of London Transport. These figures are for the two weeks ending the 7th June and the 14th June respectively, and perhaps I might give those figures.

For the week ending the 7th June: Actual receipts, £1,528,000; deviation from budget, £6,000. Cumulative figures: Actual receipts, £34,055,000; deviation from budget, minus £347,000; percentage minus, 1.0.

For the week ending the 14th June: Actual receipts £1,533,000; deviation from budget, plus £10,000. Cumulative figures: Actual receipts, £35,588,000; deviation from budget, minus £337,000; percentage minus, 0.9.

So the result, now that we have nearly the half-year's result, is very nearly the 1 per cent. decline from budget which appears when one looks down the table, and the shortfall to date is 0.34 in terms of millions. If for the rest of the year the budget is realised, that £0.34m. together with the other two sums of £0.1m., comes to £0.54m., and is nearly £0.1m. more than the saving for a full year from the reduction of vehicles licence duty.

The result of those alterations, in the view of the Commission, is that the pluses and minuses might well be disregarded. If one attempted to forecast the result of a future year based upon what I have just said, the result

Mr. WISHART INGRAM WINCHESTER, recalled.

(President): I do not know whether you wish to ask Mr. Winchester any questions, Sir Milner?

(Sir Milner Holland): No, Sir. I can understand the Representation roughly, and I have no factual questions to put to Mr. Winchester.

Further cross-examined by Mr. RIPPON.

5946. Mr. Winchester, I would like to ask you just two questions arising out of page 9 of the written memorandum. I think you have made your estimates on the assumption that the increased charging provisions in the Draft Scheme, which have not been referred to in the Interim Decision, are acceptable in principle to the Tribunal; I take the example of the children's fares, paragraph 2, page 9. Does that mean that you have given no consideration at all to whether or not it would be possible to increase the limit of the children's fare from the age of 14 to 15?—That is not a matter within my knowledge.

5947. So you have not given any consideration to that part of the Objectors' case at all?—I am not in a position to answer that question.

(Mr. Fay): Then I will call Mr. Harbour.

would be unfavourable from the points of view of all of us, and perhaps it would be better to assume that the budget estimate is still valid, the saving from vehicle licence duty having been absorbed by these other matters; so I trust that we need not worry much further about that matter.

The only other thing I wanted to say was that I was glad to hear that you have ordered to be printed in the transcript the tables which have been put in and which I think bear the descriptions of WHL 1 and WHL 2 (Revised)—tables which were put in by the Middlesex County Council after the close of the last days of the Inquiry. Of course, naturally enough, they only go down to the year 1957 inclusive; if they are to be of real use to the present deliberations as we see it, they should be projected to cover the years 1958, 1959, 1960 and 1961. I do not know whether the Middlesex County Council is here or whether they are going to produce such a projection; but in fact the Commission have endeavoured themselves, following Mr. Lawson's method, to produce a projection for those years, and it is available if the Tribunal or anyone else wishes to see it.

I think that is all I need say, Sir, by way, not of opening, but of introductory remarks. We are here to assist the Tribunal and to assist the Objectors, and we shall follow any directions you think right to give us.

We have our witnesses available, Sir, except for Mr. James, who for some time has had his holiday arranged for this period and who has, perhaps wisely, arranged to have a holiday in a part of Europe where he is quite inaccessible. But we have Mr. Winchester here, and he is prepared to take upon himself the burden of Mr. James's part of the case, with assistance from Mr. James's assistant, and as I say, we shall endeavour to assist in any way that you may think right.

The case, or representations, which the Commission put before you arising out of your Interim Decision, are contained in the Representation lodged in writing, and that is all I have to say about them.

(President): Thank you, Mr. Fay. I think Mr. Winchester ought to go into the box, in order that the Objectors may have someone to cross-examine, if they are minded to cross-examine.

(Mr. Fay): If you please, Sir. As this is a resumption of the hearing, I take it that he need not be sworn again?

(President): No, and I do not think it is necessary for you to take him through the memorandum or Representation.

(Mr. Fay): If you please, Sir.

(President): I thought that was likely. What about you Mr. Rippon?

(Mr. Rippon): Yes, Sir; I would like to ask Mr. Winchester a few questions.

5948. Have you given any consideration to whether or not the increased fares on all-night buses should be permitted, provided there was either an increased service or an issue of vouchers?—That again is not a matter for me.

(Mr. Rippon): Will there be another witness who can deal with this?

(Mr. Fay): If I may intervene here, that sounds like a matter for Mr. Harbour, who is here, and I will tender him in due course if my friend wishes.

(President): Is there anybody else who wants to cross examine Mr. Winchester?—(No response).

(The witness withdrew.)

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[Continued]

Mr. BRIAN HUGO HARBOUR, recalled.

Further cross-examined by Mr. RIPPON.

5949. I think you have heard the two questions I have just put to Mr. Winchester; perhaps you could help. Can you say whether you have given any consideration to the question of children's fares and to the raising of the limit from the age of 14 to 15?—Yes, we have given repeated consideration to that submission. It was not a new one; it has been made on a number of occasions before, and it is our view that we could not increase the age limit from 14 to 15. The fare is a concessional one, and we feel that there would be no justification for putting the limit higher.

5950. You say you have given repeated consideration to it; have you given consideration to it since the publication of the Interim Decision?—Yes.

5951. Can you say how much you have estimated that concession would cost?—No, I cannot off-hand.

5952. So you really just dismissed the matter out of hand?—Oh, no, no; we did not do that.

5953. What factors did you bear in mind?—The factors of cost and social need—social justification. You must remember that in addition to the general children's fares, children's fares at half-rate are available above the age of 14, for scholastic purposes, and quite frankly we think that we have gone far enough in the matter of children's fares. Indeed, as you know, in their application we sought an alteration in the fractions rule which would increase the revenue from this class of traffic.

5954. How did you bear in mind the increase in cost when you had no estimate of the cost?—We have estimates of cost, but I have not got them available here at this table.

5955. Can you let us have them?—Yes.

5956. But you do appreciate, do you not, that those whom I represent particularly asked that this matter should be considered?—Yes, I appreciate that, and that was brought under review.

5957. And then there is the question of the all-night buses. You will remember that those whom I represent asked that when this matter was considered, regard should be paid to the suggestions in the Chambers Committee Report that such an increase in fares might be acceptable if there was an increase in service, and if there were vouchers for essential travellers?—Yes, I remember the reference in the Chambers Report. In our original Application to the Tribunal we asked that the maximum charging powers in relation to fares on all-night services should be double. As regards the quantum of service, that entirely depends on the traffic offering; if more people require to use this service, more service will be provided.

5958. Have you given any consideration to the suggestion that there should be some concession for night workers?—I have.

5959. To what conclusion have you come?—In the Maximum Charges Application we asked for double the ordinary fares to be applied to these particular services, and I think, when I was giving my evidence-in-chief, I said that it would be the Commission's policy to work towards that maximum by stages. We have obviously been giving it some consideration; we have not reached any decisions at all, but it would seem to me that in the first stage there would have to be some form of concessional fare for those people who now travel on these night services and who enjoy the early morning single ticket facility. I am not making any promises; we have not reached any decision at all, but that is how it appears to me at this time.

5960. Did you make an effort to reach a decision on that before the Inquiry was resumed?—We made that effort. We have been thinking about this for some months, and what I have just said represents the thinking on our side when the original Inquiry took place, and we have been looking at it again.

(President): There would not be very much point in reaching a decision as to how they were going to exercise

a power before they knew whether they were going to get the power; it would be a waste of time.

(Mr. Rippon): I think that is the difficulty. In their Memorandum they assumed that everything else was going to be permitted by the Tribunal, but perhaps that is a matter for argument. I do not know the basis for that assumption.

(President): But the assumption is made in order that they could make the estimate at the beginning of the sentence. The yields they are suggesting would be that yields have to proceed on some assumption, and the assumption is that the charges, other than those expressly mentioned in the representations, will be charges which they are empowered to make.

5961. (Mr. Rippon): I was only wishing to try and establish what the cost of the two concessions that those whom I represent have in mind would be, the first being the children's fares—which I will mention in due course—and the second being the cost of an all-night bus concession to workers. (To the Witness): Have you yet formed any estimate as to the cost of that?—No, I have not. In the absence of any decision, that cannot be completed except on the basis of assumption; but I will let you have an estimate of the cost of applying the higher age limit in the case of the children. I am sorry I have not got it available yet.

5962. I am much obliged. There is one other matter in relation to early morning fares which, again, turns on a recommendation of the Chambers Committee with which I dealt on Day Seventeen at pages 385 and 386. This is referred to at the bottom of page 385, in the second column. The Chambers Committee said, in Paragraph 123 on page 30: "... We have not considered whether there should be any modification in the system of early morning fares in order to improve London Transport's finances (as this subject is not within our terms of reference) but we suggest that before any modification is introduced the effect of the system upon traffic in the peak periods needs careful consideration. If the arrangements for the sale of these tickets were such as to encourage the passenger to make the return journey before or after the evening peak period the net result might be favourable to London Transport because of the great need to encourage travelling in the off-peak rather than in the peak periods." Have you considered that aspect of the matter?—Very carefully. We considered it originally, and I spoke as to that aspect in my examination-in-chief, and we have reviewed it subsequently. It is not our view, as I said originally, that the early morning concession has a marked impact on the time of travel. It is our view that travel times are in the main dictated by starting and finishing times in employment. It is, of course, a fact that the early morning ticket-holders tend to return home at the very height of the evening peak, but we do not think that price, by and large, has the impact on the peak travel movement that was suggested there.

5963. Does it have an effect upon the staggering of hours?—I do not think so.

5964. You do not think the abolition of the early morning fare will increase the peak between, say, 8.30 and 9.30?—I do not think so; and I would just add this, that we were seeking in our Maximum Charges Scheme the abolition of the obligation to issue early morning fares. Now, if in particular cases particular blocks of traffic could be influenced away from the peak by fare concessions, then I think that would be a matter for consideration; but that would be a matter for considerations within the discretion of the Commission.

5965. You do appreciate that those whom I represent were suggesting that the obligation ought to remain, at any rate until you had conducted this investigation and come forward with your suggestion as to in which areas it might be feasible to continue some concessions?—I do.

(President): Does anybody else wish to ask any questions?

(The witness withdrew.)

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[Continued]

(President): Is anybody among the Objectors proposing to lead evidence?

(Sir Milner Holland): No, Sir.

(President): Very well then; we had better hear the arguments.

(Sir Milner Holland): If you please, Sir; may I address you, I think fairly shortly, on my representations? I appear with my friend Mr. MacLaren and Mr. Mercer for the London County Council, the Hampstead Borough Council and the Islington Borough Council.

You will have seen the representations which we made to you before the representations put in by the British Transport Commission, and from them it will have been apparent to you that the assumption we made—though it was not, of course, necessarily the right one—was rather a simple one; but as the case as opened for the Transport Commission proceeded upon the basis that one should, for some substantial period, take £6m. as an appropriate contribution to Central Charges and you should also allow £2m. for General Reserve and £3m. for Replacement Reserve, a total of £11m. being thus shown to be required, and there being a net surplus after working expenses of £5m., another £6m. was going to be required. The Scheme put forward by the Fares Scheme laid before your Tribunal provided for £5.9m., and we are now told—and I do not challenge it—that that must be recalculated as £5.8m. On a case so put we assumed—though, as I say, it may be wrongly—that when your Interim Decision indicated that the fare scales had to be calculated on the basis of a just contribution to Central Charges and a £2½m. surplus, the £2½m. was to take the place of the £5m. comprised in the two reserves which they are asking for, and that, by and large, the interim decision indicated, probably, that something ought to be produced by the Transport Commission which would raise about £2½m. per annum less. Upon that footing we made representations—which I shall be repeating—as to how that £2½m. might properly be allocated amongst the various classes of traveller and the various fares which seem to the London County Council to be most important to their constituents.

We have, however, now discovered that the British Transport Commission in their proposal have in some mysterious and adroit manner frittered away that £2½m. and, putting it quite baldly, are only proposing a reduction to their proposed increase fares in 1961 of £1.1m., and that allocated wholly to one particular thing, namely, the retention of the 4d. fare. They propose further, without, as we see it, any justification from anything that you have so far indicated that in 1962 the whole of the proposals which they laid before you at this Inquiry are to come into force without any modification or tempering of the ferocity of them to those who have to pay the fares.

In those circumstances, the London County Council thought itself quite unable to accept what the British Transport Commission have laid before you and desire to address argument to you. I hope not to re-argue anything which we have already argued (though I must remind you of some of the things we said), but we desire to argue strongly that the Transport Commission's proposed interpretation of your decision is quite wrong and does not in the least give effect to what we think you intended, and it will, in fact, at the end of 1961 give no relief at all to the travelling public in London from the very serious increases which were proposed.

I put my argument on five main criticisms of the British Transport Commission's submissions. First of all we say—and here, again, I am not going to re-argue the matter, but we do say this—that the British Transport Commission are now putting the Central Charges contributions at too high a figure. I reminded you a moment ago, and I am sure you remember it, that their original case was based on the view that over a substantial period the proper figure to take—though they said it was very conservative, I agree—was a flat £6m. That flat £6m. was, I hope you have accepted, calculated on a faulty basis, the faulty basis being that it was arrived at by dividing up the figure of £18.8m., which was the amount of Central Charges left after attributing £41m., quite arbitrarily, to be the appropriate contribution by British Railways. That point has been argued at great length and I am not going to say much more about it, but that is our first point: That they had proceeded in their new submission from too high a figure for Central Charges.

They have now, in fact, projected into 1961 a very much higher figure than the £6m. which they indicated originally. One wonders why, and I shall suggest an answer in due course.

The second main objection is this: In their submissions to your Tribunal they ask for £2m. General Reserve and they ask for £3m. Depreciation Reserve. The calculations which they had laid before you, very audaciously—though I do not suggest anything sinister—succeed in obtaining for themselves—or they would if they were wholly accepted—a General Reserve of £2½m. In other words, if they are right, you have most generously, if I may say so, given them on your Interim Decision £½m. more than they asked for. The reason I say that is this, that they are charging us everything else, additional depreciation and all the rest of it, before arriving at the £2½m. In other words, they are treating the £2½m. mentioned in your Interim Decision as if it were a General Reserve, when they only asked originally for £2m.

(President): We have not provided for £2½m. as a General Reserve.

(Sir Milner Holland): No, you have not.

(President): We have deliberately used the word "surplus".

(Sir Milner Holland): I follow that. If that is your decision at the end, that is, of course, your decision; but the fact remains that if your Interim Decision was interpreted in a certain way, it might mean £2½m. General Reserve when they themselves only asked for £2m., and we did not think it very likely—though, of course, it may be so—that you had decided to give them more than they asked for.

(President): It depends rather, does it not, when one is interpreting their figures and their representations, whether one interprets the word "depreciation" as being depreciation calculated on historic cost or as including an element towards replacement enhancement.

(Sir Milner Holland): Yes, it does indeed. At the moment, of course—and I say this without meaning any disrespect to your interim Decision—I am not able to interpret what was in your mind when you said £2½m., because, as you rather correctly say, you did not say what was in your mind.

Thirdly, they have added to the £6m. for Central Charges figures for additional interest for new capital required to be raised, figures which, as you will see in a moment, are not in serious dispute as to the amount of additional interest required having regard to the capital programme; but what they have done is to add them to a base figure of £6m. or £6.1m., which is not the basis upon which their original Application was made at all. It is true that in our answer to their case we did take a basic figure calculated for 1959 and on a more realistic basis and admitted—as I think we must have done—that if you do it in that way you must add something for the additional capital required. But they are not doing that. They are taking a base figure which is the same as the figure which they indicated to cover the whole of the period and they proceed now to add additional interest to it. The reason, of course, which I suggest for that is that it may be your decision has not given them all they want and they are trying to make it up on the swings, having lost it on the roundabouts. The result, of course, as you have seen, is that all that if left by way of concession from their original proposals in 1961 is the retention of the 4d. fare, and that they propose should disappear in 1962.

Our last objection is this: The Transport Commission are asking you to say—though you have not had any indication of this yet—that as from the end of 1961 the whole of their proposals as originally laid before you shall be authorised; in other words, you should say now that at the end of 1961 the full fare scale should apply. Of course, this is a matter on which I again do not know what view you will ultimately form, but it looks from your Interim Decision as if you were, at any rate at this stage, only considering the period to the end of 1961 and were not considering the situation in 1962.

(President): It may—although it would be regrettable if it did—shorten your observations and other people's prospective observations if I said that we have no intention of providing for the year 1962.

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[Continued]

(*Sir Milner Holland*): I am very much obliged, Sir; that will, indeed, shorten my observations. May I say—and I am sure this will relieve you, however, polite you may be about the length of my argument—that I bad, in fact, asked Mr. Hill to prepare and to have available some figures which show that the assumption, on the evidence available, that the 1962 scales could be justified could not possibly be regarded as reliable. Those figures have been prepared, but I shall not trouble you with them in view of what you have now said. So that, at any rate, my last point does not require to be further pressed.

May I deal with those very shortly one by one. Again I am anxious not to re-argue what was, with your indulgence, very fully argued at the original bearing.

The first point relates to Central Charges, and I must remind you of both what we said and what the Transport Commission said. We put forward a base—if I may use that phrase—of £5.4m. as the appropriate Central Charges for 1959. We gave our reasons, through Mr. Hill, for arriving at that, and, indeed, until quite a late stage in the proceedings the differences between Mr. Winchester and Mr. Hill on this matter were only two: First of all there was one difference resting on a fairly small matter, the difference between making the calculations on fixed assets and making the calculations on capital invested. Mr. Winchester took it on fixed assets and Mr. Hill took it on capital invested, and the difference thrown up was not very great. The only other point of difference was the insistence by the Transport Commission upon their allocation, as the appropriate share of Central Charges for British Railways, of £41m. Mr. Winchester made his recalculations on the assumption which we put—which I hope you accepted as correct—that you must not arbitrarily take the £41m. but must divide up the whole cake and not, first of all, cut it into two slices and then divide the other slice, and be put in a table WW 13 which gave either £5.2m. or £5.6m. on alternative bases. Mr. Hill took the view that the alternative which gave £5.6m. was the wrong one. I am not sure how far it helps you to give you the reference to this, but Mr. Hill's argument against the £5.6m. basis was at Day Eleven, Q. 3754. Without going into immense detail again, WW 13 shows that once you get rid of the £41m. assumption, Mr. Hill's £5.4m. falls mid-way between Mr. Winchester's two figures of £5.2m. and £5.6m.

(*President*): Sir Milner Holland, how, using Mr. Hill's method, are we to calculate the appropriate contribution to Central Charges for the years 1959, 1960 and 1961?

(*Sir Milner Holland*): I will be pleased to answer that question. Mr. Hill's method gave you 1959, and the reference to it is Day Eleven, Q. 3760 and onwards.

(*President*): But before you look at it, can you tell me how he arrived at it?

(*Sir Milner Holland*): Yes, Sir; these questions will show you that.

(*President*): Very well.

(*Sir Milner Holland*): What he did for 1959 was to take the figure for 1957, and from 1957 onwards he has, following his own methods, said that it is right—as, indeed, the British Transport Commission now say it is right—to add on any additional capital required and calculate the interest for it.

(*President*): That is what I remembered, but that is very odd, is it not? Up to 1957 Mr. Hill's tables proceed on what has become known as the global approach. After 1957, because he cannot do otherwise, he shifts to, at any rate, a sort of what has become known as the specific approach.

(*Sir Milner Holland*): Yes, Sir; but that does not, with great respect I hope, trouble you! It does not trouble me in the least, because to calculate over the past period what is the right figure necessarily involves estimation. Whatever you do involves some estimation unless you try and unpick the whole thing, and we have not attempted to do that at this time. Unpicking the whole pudding, or whatever it may be, and trying to find out how much of it represents one thing and how much another—if I may use a phrase which you will probably remember—runs you into difficulties. That is

a familiar phrase now, because we have debated it at one time and another.

(*President*): "Gets me" was the verb, was it not?

(*Sir Milner Holland*): My answer to you, Sir, is simply this, that there is nothing for it but to arrive at some figure to start from by some form of estimation which cannot be—at any rate, this is how we put it—exact or specific. First of all we must decide whether such figure is broadly right. If it is, then, of course, when you are in the present era and when you can see what the additional interest charges are there is no objection, in my submission, to going ahead. I quite agree it is a different method, and I agree also it is more accurate, but the first question is whether the base is right. I use that phrase on purpose, because one must start from somewhere if you are going to add something on. Now we know what is happening, because we can look at it as it is going along, and there is no difficulty.

(*President*): We do not know what is going on in 1961 and 1962, do we?

(*Sir Milner Holland*): May we come to that? Your first question to me was this: Is it not inconsistent, or wrong, or not satisfactory to add to a figure arrived at by a sort of global approach, or whatever we call it, and then to turn over to the specific method later, and my answer to that, respectfully, is no, because if you can do it you should. I am going to indicate how, in my submission, you can do it, but it is not a matter on which Mr. Fay disagreed, because he has done it himself. His own submission to you this time does exactly that; they calculate the addition to a base for the additional capital, and I do not quarrel with that.

(*President*): We may. Is there not something to be said for taking, for the purpose of this Inquiry, the particular specific approach throughout?

(*Sir Milner Holland*): If you feel you can do it. I cannot argue that for the reason that my case has not been laid on the specific approach, and I confess I am not in a position to argue the merits of the specific approach. You can, of course, I agree, go right back and take the specific approach throughout. But however that may be, may I say that we are to this extent—or we were until an extremely late stage in the Inquiry—on the same lines as the Transport Commission. Mr. Winchester's estimates of Central Charges were broad calculations up to a certain point, and the Transport Commission said, first of all: "That gives us £6m. and with that £6m. (though it is conservative, we say) we are content for a fare scale which is to last for a considerable period. We did not take that view. We said £6m. was not accurate, and we went back to 1957 on Mr. Hill's Table SWH 5, and we then proceeded to calculate for 1959. May I just remind you once again of Q. 3760 and the following questions?

Mr. Hill in answer to Q. 3760: "... If one follows this through, having looked at the position up to 1957, I think it might be helpful to see what the order of the figure would be for 1958 and then possibly 1959. In 1958 capital expenditure is going to be less than the depreciation provision, so one would expect to see, when the 1958 volume comes out, that the net capital invested in the LTE undertaking at the end of 1958 will be lower than it was at 1957. "Whether that will still, on this formula, produce £5.3m. "—because £5.3m. was his figure for 1957—"or £5.2m. I cannot tell because I do not know the totals, but it is of the same order as 1957. So there will be no increase in 1958, perhaps a marginal decrease."

Then at Q. 3762: "That is to say, in 1958 you expect the capital invested test to give you rather less and not more in the way of capital?—(A) Yes. (Q) Now 1959?—(A) In 1959, adding the expenditure of 1958 and 1959 together, as I think one should, you will have a total further capital expenditure for the two years of £9.9m. (Q) That is £2.5m. in 1958 and £7.4m."—and that is a figure which now appears in the table, plainly an agreed one—"in 1959, giving a total of £9.9m.—(A) Yes; and the mean extra for the year 1959 will be about £6m, if one did this beginning and end business..."

May I just say this, that as I understood it, and still understand it, the proper method of calculating the interest on capital is to take the whole of the capital for the preceding year and half the capital of the current year

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and calculate it upon that, and it is on that basis that the calculation, both in the Transport Commission's table and in ours, has been made.

"In terms of the depreciation provision here would be a whole year's depreciation provision in 1958, £3.7m. or £3.8m., the same sort of figure, and part of 1959. The mean, again, in 1959 would be the whole of 1958 plus half of 1959, which would be about £5.6m. So the calculation, if one were doing it in 1959 and using those figures, would give a very, very small increase in the total capital invested in 1959 over what it was in 1957. As far as one can see, it will again be about £5.3m. if all the other factors remain more or less the same. This is only on the assets side. That is going as far as 1959, but then, of course, the picture does begin to change; there is a contemplated expenditure of £12.6m. in 1960 and £16.8m. in 1961—that now appears as £16.9m.—and I think there will be sizeable figures after that. Without question they are going to far outstrip the internal depreciation provision of £3.7m. and everything else remaining the same, that must make for an increase in the Central Charges contribution. If one looks at 1960 and 1961 together, there is a capital expenditure in those two years of about £30m. and in those two years there will be an internal depreciation provision of rather under £8m.—that is £3.7m. multiplied by 2—"say, in round figures, £22m. If everything else remained the same, one would then expect that somewhere round about 1962 the amount required by way of Central Charges for the LTE invested capital would be getting on for £0.8m. or £0.9m. higher than it is now, lifting it up to £6m. in about three or four years' time."

Now, Sir, that is how Mr. Hill dealt with it, and, in our respectful submission, if you take the view that £5.5m. is correct for 1957, the calculations for subsequent years are readily made by discovering what is the additional capital required. That is the method which the Transport Tribunal have adopted in their last paper, that is the method which we adopted in our Objection and which we still, consistent with that argument, advance. It gives about £0.1m., as we see now, additional interest for 1959 and some increases—on which there is no great difference between us and the Transport Commission—for 1960 and 1961, something like £0.3m. and £0.6m. or £0.7m. The whole question of this approach, which we did adopt—and we hope on consideration you will agree it is the sensible and proper method—turns on from what base you make your additional calculations. As I have mentioned already, the Commission's originally submitted case was based on £6m.—

(President): Of course, there is a simple rough approach which Mr. James indicated earlier in his evidence which began, flatteringly enough to us, on a figure which we fixed of £5.4m. for the year 1953-54. Mr. James said if one takes that figure and then you have regard to the fact that after 1954 there had to be re-financed the loan which was originally being granted by the London Electric Finance Corporation, one finds, by reason of that re-financed loan, an additional interest charge of £0.5m. That occurred, I think, in the end of 1955, which would make on the specific approach, applied as from 1953-54, a total interest charge of about £5.9m.

(Sir Milner Holland): I have not checked all these letters but it does not necessarily follow, because one has to take account of the whole position of capital invested over the intervening period, not just one item and add that on. I do not know how that stands.

(President): I thought you were conceding that as from whatever you take as your base year, there should be added to it any additional interest charge caused by new borrowings.

(Sir Milner Holland): Yes, but not disregarding any shortfall of capital expenditure. I have not got the point in mind at the moment, but I think Mr. Hill's Table SWH 5 does give a figure of Central Charges in 1953 and 1954 which is the same as your own.

(President): Yes.

(Sir Milner Holland): I think it is very improbable that in Mr. Hill's figure the re-financing in 1955 is ignored; in fact, I am sure it is in. This is a point with which I am sure Mr. Hill would have been able to deal if it had been put to him specifically. All I am saying is this: I am not intending to concede—and I am sure you would not think

I was intending to concede—that you add on to any correct Central Charges figure all the additional charges and ignore the fact, if it be a fact, that your internal finance for any given year exceeds what you need to provide. I can only say that Mr. Hill's figure, taking into account all those factors, gives a Central Charges figure of £5.3m. for 1953 and £5.5m. for 1954; in other words, whether it is flattening or not—and I doubt very much whether the table was constructed for the purpose of flattening—between those two figures is exactly the figure at which this Tribunal arrived. Taking into account all the additional factors on the right-hand side of the table you will find this figure for 1956 and 1957, which I do not think anybody has ever suggested ignores the re-financing, and he still arrives at £5.3m. in 1957.

I do not want to lay too much stress on this, because, of course, you are not in the least bound by anything to be found in the way in which the case was put to you, but may I just remind you that £6m. was put forward, no doubt after very careful consideration, as a figure by Mr. Fay in opening the case on the First Day at page 16, and it is quite plain how it was put forward. He says, half-way down the first column on that page: "The other point—and I shall deal with it in a little more detail when I talk about replacement—is this, that considerable increases in interest charges are going to be incurred by London Transport in consequence of the major replacement programme of capital assets which is about to be embarked upon. That is, I think, all I need say about Central Charges. At the end of the day I shall submit that £6m. is a minimum figure in present circumstances, and it will look, as I venture to think, as though the effective figure cannot long remain at £6m. This Scheme, it is hoped, will ensure for some time, and we are taking, on that basis, a very conservative figure, in our submission." Of course, he cannot be tied to that, he can change his ground, as, indeed, he has.

(Mr. Fay): Perhaps you would read the first two lines of that column.

(Sir Milner Holland): At the bottom of page 15 Mr. Fay asks me to read: "I venture to found myself upon what was then the Tribunal's view that Sir Reginald Wilson's approach was the right one, and I approach it from that standpoint. The Commission has gone through a process of exercising its financial and commercial judgment on this problem—"this problem" being Central Charges—"and both the Commission on the one hand and London Transport Executive on the other have agreed that, in present circumstances, the figure of £6m. is right, it is an agreed figure with the two organisations. Mr. Winchester and Mr. James of London Transport (who will give evidence upon these matters) will say, first of all Mr. Winchester, that applying Sir Reginald Wilson's three tests I mentioned in the extract which I have just read, one gets confirmatory figures. If you apply the test of the comparative book values of the fixed assets, that throws out a London Transport contribution of £0.4m.; if you apply the test of a comparison of the working expenses, it throws up a figure of £6.1m., and if you apply the test of a comparative figure of staff it produces £7m., and Mr. Winchester adds a fourth test, that of the ratio of gross receipts, which produces the figure of £6m. So of the various tests we have, in fact, adopted the lowest of the four figures which those tests produced."

But the fact remains that the fare scale asked for was designed to produce an additional £5.8m., there being already a surplus over working expenses of £5m. That was based on £6m. Central Charges, £2m. General Reserve and £3m. Depreciation Reserve, whatever that means. It is perfectly plain that the case as originally put was a case for justifying a very substantial increase in fares to last, as was opened, for a substantial period, the foundation figures for which were £6m. Central Charges, £2m. General Reserve and £3m. Depreciation Reserve. It was not founded upon rising figures of Central Charges plus something over and above, although I agree it was said that the £6m. was a conservative figure which might prove too little in view of the intended capital programme over the next few years.

Our answer, Sir, if you remember, was to take it on a slightly different basis and say the proper course was to start with the right figure for 1959 which we said, and

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still say, was £5.4m., to allow a General Reserve of £1m. and to allow, for additional depreciation and additional interest for the capital programme for five years, a further £1.2m., which would have replaced the £11m. by £7.6m.: That is, £5.4m. Central Charges, £1m. General Reserve, and £1.2m., an average figure over the whole period, would take into account additional depreciation and interest over capital of £1.2m. Those add up to £7.6m. and would have involved a reduction of £3.2m. Possibly our submission was the first point at which it was thought that it might be desirable to look at the exact years over which the Scheme was to proceed and add some interest charges for the period, and we are content that that should be done. Mr. Hill had prepared a schedule on the £5.4m. basis—and I can use this table also to cover any other starting point—in which he compares the table which we now present showing how the matter should, apparently, work. The top part of this table presents in a fairly summary form—or is intended to present in a fairly summary form—the calculation showing what additional revenue is required following out your Interim Decision, starting from a base of £5.4m. Central Charges in 1959.

(President): We had better give it a number. I do not know how far Mr. Hill had gone.

(Sir Milner Holland): I think it will be SWH 8, Sir. I will be corrected if I am wrong about that. It is not, perhaps, a matter of evidence, it is only a tabular presentation of the argument I am now addressing to you.

(President): Still, we would like to preserve it for posterity!

(Sir Milner Holland): I am afraid posterity will see this in the printed transcript and will wonder where the evidence has come from.

(President): I hope that will happen when all the transcripts of all the Inquiries have been destroyed by fire!

(Sir Milner Holland): The top line is called "Basis Amount", and you will follow from what I have said what that is intended to mean. The second line is the result of a computation based on the figures below, and if you would glance at it I will explain it later. You will see it projected into 1962 and 1963. We need not trouble about that, but that was done in case you were going to consider the later years. The calculation here of additional interest is a £0.3m. addition for 1960, and £0.6m. for 1961 which, you will see, does not greatly differ from the figures which the Transport Commission themselves put up. They put up £0.1m. for 1959, £0.3m. for 1960, and £0.7m. for 1961.

(Mr. Poole): Should you not take into account the increased depreciation which would have to be on the working expenses, so reducing your net annual revenue or your net receipts? You see, you put £5m. all the way along. Ought that not to be reduced as you get increased depreciation with the new capital expenditure?

(Sir Milner Holland): That is the point of the argument. The question—and, of course, in the end it is a question for the Tribunal to answer—is what is meant by the £2½m., and that is what I shall have to argue. Of course, I cannot really argue what it means, only the Tribunal know. If that is your decision, of course, we will have to endeavour to persuade you upon it; but we suggest the £2½m. is an absolute reserve, that is the point. But for the moment, for the purpose of this table, we have taken the margin as the margin of the Interim Decision, giving a total expenditure in line 4. Of course, 1959 looks a little odd at the moment, but I do not think we need trouble ourselves greatly about 1959. The net receipts figure at £5m. is taken throughout, as, indeed, it is in the Transport Commission's table, and that gives an additional revenue requirement of £3.2m. needed in 1960 and £3.5m. in 1961.

I think the simplest way to use line 6 in the way I wish it to be used on the table is to compare the figures in line 6 with the £5.8m. additional revenue which the full Scheme will produce. Do you follow me?

(President): I think it is. But why does Mr. Hill, in line 5, refer to PJ 11 as giving him net receipts in all those three years of £5m.? PJ 11 does not support that.

(Sir Milner Holland): But the whole of the case was presented on that assumption, Sir; that is the underlying

assumption, and, of course, the tables, in the British Transport Commission's view, are on exactly the same sum.

(President): But just for the moment we must take it that PJ 11 does not support line 5 of the columns for 1960 and 1961.

(Sir Milner Holland): But the whole point of both Mr. Fay's presentation and ours is that you start from a surplus of net receipts and then you consider whether any addition has to be made to it. That is the base. Line 6, as I say, is, on this base, the additional revenue requirement, and one has to compare it with the £5.8m. which the full Scheme will produce. If you deduct one from the other you will see that on this basis in 1960 the full scheme would produce £2.6m. too much, and in 1961 it would produce £2.3m. too much. That is merely deducting those figures from £5.8m. I call attention to the fact, and pass from it immediately, that on these assumptions in 1962 it will produce nearly £2m. too much.

Before I pass from that, would you be kind enough to look at page 3 of the recent British Transport Commission's submissions to you. Based on the Commission's own submission I read that the minimum contribution to Central Charges is £6m. and interest on net new capital outlay is £0.1m., £0.3m., and £0.7m.—and Mr. Hill is giving £0.3m. and £0.6m. for those two years; the revenue margin is £2.5m., and then the next line: "Deduct net receipts at existing charges, as in 1959 (Exhibit PJ 11) £5m., £5m. and £5m." So in that respect there is nothing between Mr. Fay and myself.

(President): Except that the net item on that page is a deduction from the net receipts.

(Sir Milner Holland): If you please, Sir. But you start at £5m., and then comes the question: Should you, or should you not, add additional working expenses for depreciation, and I appreciate that there is a difference between myself and the Commission on that. But this table does not do it, and I am going to argue why it should not. That is the whole point. I am fully conscious of the fact that this follows out the British Transport Commission's approach, but it does not follow out the addition of working expenses for depreciation after deduction of savings, and I am going to ask why it should not. When I say "why it should not", I cannot argue that it does not on your decision, but it is open on your decision to argue that it should not, and I propose to do that.

May I just carry on with the bottom half of the table to show how the £0.3m. and the £0.6m. for 1960 and 1961 is arrived at? There is so little difference between ourselves and the British Transport Commission that I do not want to take a lot of time on this, but what Mr. Hill has done is to take in line 7 the additional capital programme, and those are figures common to us and the Commission; to take off the realisation from sale of scrap; to add the 1959 depreciation without any increases; to add in the margin indicated in the Interim Decision; to add in, in line 12, some figures transferred from the maintenance equalisation provision which the Transport Commission say are right and which I am not proposing to quarrel with, and to show you the additional sum of money required in each year at line 14: £3.6m., £6.8m. and £10.6m., and we need not bother about the rest.

The only difference in the interim calculation is this: Mr. Hill—because we have done so throughout and because there is not a lot of money in this—has taken 4 per cent. interest, but, possibly, the Commission has taken it a little higher. I think it makes a difference of £0.1m. in the case of 1961, but there is nothing substantial in that.

(President): Why is Mr. Hill taking the interest rate as 4 per cent.? The last figures in 1957 show that they have been borrowing some of their money at 5½ per cent.?

(Sir Milner Holland): All I can say is that it does not make a lot of difference. All of our calculations have been presented previously on the 4 per cent. basis. Of course, a great deal of money now in the concern has been raised at much lower rates, and Mr. Hill thought that was a fair figure to take. It makes so little difference that I do not think I need waste time on it; it makes a difference of £0.1m. in 1961.

May I say on this table that if the base is right and if the submission I am going to make about additional depreciation is right, it shows that in 1960 and in 1961 there

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is either £2.6m. or £3.3m. more than is required in the Scheme as presented; and, of course, any base figure higher than £5.4m. which is taken makes exactly that much difference. If you put it at £6m., you get a £2m. surplus in 1960 and £1.7m. surplus in 1961.

Now comes the question—and this, of course, is ultimately for your decision, and I am not going to attempt a construction of your Interim Decision—of whether it is right, or whether it is not right, that additional historical depreciation should be taken into account if you allow a margin of £2½m. over Central Charges. Whether you have, or have not, made up your mind about it, I do not know; but if you have not, I do wish to present, with such force as we have at our command, an argument that £2½m. as, so to speak, a free surplus ought to be allowed to absorb the additional depreciation. We certainly thought that that was what you intended to mean. I have put this to you once, but if you will forgive me I will put it again, because this is a very important point: The Transport Commission's case to you was for a £2m. general surplus and for a £3m. Depreciation Reserve, and it is perfectly plain that the £3m. was to take in all forms of depreciation. There was no surplus claimed at any time in their case for anything else, for additional historical depreciation. If, Sir, your mind is to give them £2½m. to cover everything except mere accident and it is not intended to take up such amounts of historic depreciation as arise and increase in subsequent years, then you are, with great respect, giving them more than they asked for in that respect, because you are giving them a General Reserve of £2½m. against their request for £2m. If, on the other hand, your view is in line with our submission, or not far from it, that instead of £5m. the figure ought to be £2.2m.—because we said £1m. for General Reserve and £1.2m. for additional and historic depreciation, averaged out, it is true, in that case over five years, then we would not desire to make any further submission because, in our submission, that is probably a very just and proper figure. But to give them £2½m. as a General Reserve is, as I say, to give them £½m. more than they asked for, and that, in my submission, would not, with great respect, be justified. If, of course, everything was taken into account, including the historic depreciation, it does have the result that the £2½m. is on top of everything, and the figures will work out somewhat differently.

I am not sure whether this is a matter which can be carried very much further. If you do take the view that the £2½m. is over and above whatever should be allowed for Replacement Reserve, of course, the figure is bound to be different, and it will be added to by the figures which the Transport Commission have themselves put forward, though we do not actually agree with those figures.

(President): The £2½m. was a figure which we meant to replace the £5m.; that is to say, both the enhancement of historic depreciation and the General Reserve figure.

(Sir Milner Holland): I am much obliged. That, indeed, answers my question and I need not debate it further. Then this table which Mr. Hill put forward is on the correct basis.

(President): No, it is not. The question arises whether, in calculating the net receipts for 1960 or 1961, one ought to take into account the additional historic depreciation.

(Sir Milner Holland): Then I have misunderstood your previous remark, Sir.

(President): What is it you do not understand?

(Sir Milner Holland): I thought I understood you to say that the £2½m. was intended to cover the General Reserve and the Replacement Reserve for which the Transport Commission asked.

(President): Yes; but the Replacement Reserve for which the Commission asked was a provision towards meeting the difference between historic cost depreciation, as it is at present calculated, and the replacement cost of those assets.

(Sir Milner Holland): Of course, as you replace with more valuable assets your historic depreciation goes up.

(President): Of course it does, and your annual Replacement Reserve will go down.

(Sir Milner Holland): I follow that. But our understanding of the matter was that there was no element

in the Transport Commission's case, as placed before you, calculating for future years any addition for additional historic depreciation; there was no separate element in their case as put forward.

(President): No separate table.

(Sir Milner Holland): But now there is.

(President): There was no separate table, but the fact was mentioned, and, indeed, it is obvious, of course. If you put in a more expensive wagon, or anything else, but continue your historic-cost method, your depreciation charge on the historic-cost method in the next year will be higher.

(Sir Milner Holland): Yes, I quite agree.

(President): My recollection is that at one stage a figure of £0.8m. was spoken of, I think in connection with the Piccadilly Tube, was it not?

(Mr. Poole): I think it was for all the capital expenditure.

(Sir Milner Holland): May I just make two points: First of all, of course, if you replace with a more valuable article your historic cost, in one sense, goes up; but then, of course, your historic depreciation and your replacement depreciation are the same. Therefore we have certainly contemplated—and, indeed, it is demonstrated by the fact that separate figures are put forward—that the figure of £3m. was intended to cover both of those aspects. If it had not been so, I have no doubt whatever that the very carefully prepared case for the Commission would have shown, as justification for the additional £10.8m.: £6m. Central Charges, £2m. General Reserve, £3m. Replacement Reserve, and something else for additional historic depreciation. There is no such figure in their case and never has been until now; but when you have indicated that you do not accept the £5m. which they claim and you reduce it to £2½m., then they come back and now say: "Oh, well, if we reduce that, then we put something else in", and they put two additional things in actually, but on this aspect of the case they put in some additional historic depreciation which, as a matter of fact, I have no doubt is a correct figure. Additional historic depreciation there will be, of course, and I am not in a position to challenge the figure; but I am, subject to your decision, in a position to submit, not, I hope, passionately but strongly, that it would be quite wrong at this stage of the case to allow the Commission to turn round and say: "If you won't give it to us one way we will get it another way", which is what they have done.

(President): Mr. James made it quite clear in his evidence that what I call the depreciation reserve provision was directed solely to the difference between the historic cost depreciation charged in the working accounts and what it ought to be if they were calculated by reference to the replacement cost of the depreciated item.

(Sir Milner Holland): May I read two passages, Sir. The first one is an answer to Question 693 on page 80, where Mr. James says: "Yes, and the historic cost of the stock which is being replaced is £2.1m. The depreciation charge on the old stock—assuming none of it is to be life-expired and assuming a thirty-year life—is £70,000 a year, that is 1/30th of £2.1m. The depreciation charge on the new stock—assuming for this purpose a forty-year life, because it includes certain improvements which will enable it to live longer—is £270,000 a year, that is 1/40th of £10.8m. So that arising from the replacement of that stock there is an increase in depreciation charges included in the working expenses of £200,000 a year—that is £270,000 of new stock less £70,000 on the old. That increase in depreciation charges arising from the replacements can be sub-divided in this way: as to £170,000 it results from rising replacement prices, and as to £30,000 it results from improvements. The £170,000 arising from higher replacement prices is, of course, included in my £3m. replacement reserve today".

(President): Because the event had not happened.

(Sir Milner Holland): With great respect, I do not follow that. Mr. James is here saying that the additional historic basis of higher depreciation cost is included in his £3m. replacement reserve. There it is in black and white: "The £170,000 arising from higher replacement prices is, of course, included in my £3m. replacement reserve

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today". If you forgive my saying so, the LCC cannot be blamed for thinking that the £3m. was intended to cover, and was put forward as covering, the additional higher historic replacement cost. There it is from Mr. James. He is given a plain case where the depreciation charge will increase because the new thing is more expensive, and he says: "The £170,000 arising from higher replacement prices is, of course, included in my £3m. replacement reserve today".

(Mr. Poole): I think the next sentence rather puts a different complexion on it.

(Sir Milner Holland): "By the time the stock is replaced three years hence that will have transferred itself from the replacement reserve to depreciation provision based on historic cost". Forgive me for saying so, but there appears to be a misunderstanding somewhere. Of course, the Tribunal will reach their own decision whatever has been said in the past, but I am merely saying that I assert, with absolute confidence, that the case as put to the Tribunal was that the £3m. covered the higher, if you like, historical depreciation due to buying more expensive articles, because Mr. James there says so.

(President): It is very funny that it should be described as a reserve, because the depreciation has always been charged in his working expenses.

(Sir Milner Holland): It was described as a reserve because it was submitted that they ought to have an additional £3m. to cover this, and the question is, of course, what it would cover; whether, as you put it to me, it would merely cover an increase in depreciation due to calculating in advance what more it was going to cost when it came to be replaced, or whether it also included the actual additional historical depreciation charged on a new article which had been bought at a higher price. It is quite plain that they were putting it forward, if I may so put it—although you may not so interpret it—that the £3m. was to cover that and that the £3m. obviously must allow for the higher depreciation charges on more expensive articles. If you remember, I put in a little table to illustrate an argument which took that whole point into account, namely the new capital programme based on Mr. James' answers as to what it would cost and the increased depreciation charges, and Mr. James gave us a full answer—

(President): I am bound to say I never had any moment of doubt in my own mind as to what this depreciation reserve was intended to cover. Certainly this discussion, as a matter of principle largely, took place between Mr. Lawson and Mr. MacKenna, and you will not find a word in Mr. MacKenna's speech or Mr. Lawson's evidence to support the interpretation of the evidence you are putting forward.

(Sir Milner Holland): Well, Sir, this is not a very fruitful debate, if I may say so without disrespect to you, because if the intention of the Tribunal is to give £2½m. and on top of that any additional historical depreciation, that is the end of the matter.

(President): That is what I have just said. The £2½m. was meant to provide a general reserve plus a provision for meeting the difference, which would naturally arise in the future, between the depreciation at present charged in the accounts and the cost of replacing the depreciated asset when it is replaced.

(Sir Milner Holland): Yes, Sir, I quite follow that. Perhaps I might ask—I hope it is not impertinent for me to do so: You did not intend to give anything additional to that for provision now for replacement in the future beyond the period, higher than ordinary historic depreciation?

(President): We did not intend to provide a surplus sufficient to cover that; but in our minds we plainly intended to calculate the working expenses in the way in which they have always been calculated in the past namely by depreciating them on the historic cost basis of the assets of they stood in the business.

(Sir Milner Holland): Yes, I follow.

It would, think, be probably wrong, and I do not think it is a very valuable exercise, to proceed with an argument which itself rests upon an interpretation of your decision which you inform me is not correct, so there is no point in my doing that. What Mr. Hill has done—because the Commission put forward their case on this basis—is to

produce a table showing in a similar way what is the result if you do add in the additional depreciation on the historic basis, and if I may tell you in advance what it does, it starts from a basic central charge of £5·4m.; it shows surpluses in 1960 of £2·2m.—it shows that the proposals of the Commission give a surplus of £2·2m. in 1960 on that basis—and in 1961, of £1·7m.

May I just put that in, Sir, so that the whole story is complete: this is Exhibit SWH 9, the last one being Exhibit SWH 8; this is the same table, but including the additional historic depreciation.

While those tables are going round, might I make a request about those two tables? As you appreciate, one of the major reasons for our being here is to meet the Transport Commission's request that their Scheme should be authorised from 1962; on that, you have given a ruling, and I do not need to say anything about it.

In those circumstances, Sir, Mr. Hill has made some estimates for 1962 and 1963, which I do not think it is desirable should be allowed to remain, and I was wondering whether you would give directions that these tables should not be printed beyond 1961. I do not know whether that is a very delicate feeling on my part, but it seems a pity to put in a forecast for years which do not now come in. It is a small point, Sir, but our thought was that it was a little bit of a pity to put in unnecessary forecasts which are based on the assumption—

(President): I see no reason for that to go in, Mr. Fay; I think it would be better, and more convenient for the note, if we could have copies put in with those columns left out?

(Mr. Fay): That would be sufficient for our purposes, Sir. If Mr. Hill is worried about cross-examination by someone in 1964, the Commission has the full figures!

(Sir Milner Holland): I am not particularly worried about Mr. Hill's position—he can look after himself, as he has looked after himself in the past—but I do not think the London County Council want to commit themselves to figures in 1962 and 1963, when they may be represented here.

(President): 1962 and 1963 are years to which I am myself indifferent!

(Sir Milner Holland): In those circumstances, therefore, may we substitute the tables down to that part?

(President): Yes.

(Sir Milner Holland): As the Commission put their submission forward on the other basis, it was thought right that Mr. Hill should indicate how he calculates it. Here you see is the basic central charge line, shown at £5·4m.; you see the interest calculated by broadly the same method as before, the margin which the Interim Decision provides, and the total net receipts, line 5 as before. Line 6 introduces the additional depreciation.

There is no challenge on the figures; these are the Commission's figures. Line 9 gives you the additional revenue required for each year based on those figures, and again line 9 has to be deducted from £5·8m., and shows that in 1960 on this basis the Scheme will produce £2·4m. too much, and in 1961, £1·7m. too much. On your, may I say ruling or indication of what you intend, this must be the basis, and the matter therefore rests upon this, that if £5·4m. is the right base, the Scheme as proposed gives excess revenue to the extent of nearly £2½m. in 1960 and well over £1½m. in 1961, and you have my submission as to the £5·4m.

May I now put the London County Council's submission about what should be done with whatever surplus you in the end come to the conclusion is thrown up by the Scheme. That rests upon the London County Council's submissions to you, which I only wish I could find. Will you be good enough to take them, and look at the last page; it should be in four pages.

(President): Four pages, or two?

(Sir Milner Holland): It should be four pages, Sir; there should be an attachment to the Statement by the London County Council.

(President): The first two pages were put in before the Representations were received?

(Sir Milner Holland): Yes, Sir, and so I think is the copy of the Statement on this question.

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May I take a moment of time to read it; I think the approach is of importance to the London County Council and their constituents.

"Early morning fares.—The London County Council respectfully submit that the withdrawal of the obligation upon the British Transport Commission to issue early morning tickets should be made by stages and that these stages should be inserted in the scheme. The London County Council would not regard it as unreasonable that increases in early morning fares should be equal to any increase in ordinary fares for like distances made at or about the same time. Any increase in excess of such an increase should be in the opinion of the London County Council be subject to two limitations; a limitation on the amount of the increase and a limitation on the period which must elapse between one increase in early morning fare and another. (2) The London County Council respectfully submit that the yield of the proposed charges in the application should be reduced by: (a) the elimination of the double fare proposal for all-night buses; (b) the withdrawal of the proposal to charge children's fares to the nearest penny above an exact half-fare; (c) single stage charging on all road services of the London Transport Executive other than coaches and the application of the single stage charging to railways by an appropriate change in the fare scale; on both road and rail services of the London Transport Executive, the important fares to be affected would be the retention of the fourpenny fares for one and a half miles and the retention of the sixpenny fare for two and a half miles."

Then they estimate—and this is the table on which I want to make a submission—the cost. I do not think the figures are likely to be seriously challenged; they are the figures of the cost of various abatements of the Scheme. You have indicated that you wish to see a scale of season tickets roughly at a midway point between the old rates and the new proposals; you have not in terms said it will be your official decision, but this rather proceeds on the assumption that it will be, and that would cost the Commission, say £300,000—we make it a tiny fraction less.

Of those various changes in the scale which we ask you to allow, the retention of the early morning fare scale would cost, as I say, £300,000; the retention of the all-night buses would cost £50,000; the retention of the children's half-fare would cost £400,000; the retention of the 4d. fare would cost £1m.; the retention of the 6d. fare would cost £500,000, and the effect of the new season ticket scale as submitted by the Commission would be about £300,000, and that gives us a total of about £2,550,000.

The question is: In what order, assuming there is not that amount of money to play with, the London County Council would ask you to let these various things go? You have indicated that it is not your view that there should be an obligation on early morning fares, and we regretfully envisage, therefore, that sooner or later they will disappear; it is a question of staging, but obviously in the end the £300,000 at the top of the table will have to go.

The next thing which, if you accept our submission, we would let go on, would be the retention of the 6d. fare; we put that to go next, if you agree.

The next thing we would see go—reluctantly, but it has to go—is the rounding up of the children's half-fares to the nearest penny; that is a matter of £400,000.

The next is the 4d. fare; and finally, if it has to go, any abatement of the severity of the season ticket proposal.

In view of what has happened this morning, I think it is not useful to discuss what we would have liked, namely a restoration of the old standing fractions rule, because at present a mile and a yard counts as two miles, and we think that produces very great hardship. But that runs into a fair amount of money, as you apply it up the scale, and quite obviously in view of your ruling this morning there is not going to be a margin of more than £2m. to play with, so I cannot do more than to indicate that had there been the available money we would have liked to see that rule reintroduced. We think that the charging of very small amounts over a mile as two miles is a very grave injustice, but if there is not

the money to put that right, well, there is not. If there were an odd hundred thousand pounds, we would have liked to have suggested that applying that to season tickets should be undertaken; it would cost about £100,000—you will see that, Sir, in the last line of our statement. But again I cannot see on this morning's ruling how there is going to be more than £2m. available.

We ask you to enforce as many of these reductions of the Scheme as can fairly be obtained on the money available. The lamentable result, if the Commission's submission is right—and I think it will provoke the most horrified reactions from the public—is that if every single proposal goes through, the only thing that will be left in 1961, as a result of your indication, will be that the 4d. fare will be retained until the end of that year—one fare. Otherwise the whole of their Scheme as originally proposed to you will be implemented, to our very, very deep regret.

(Mr. Rippon): May it please you, Sir; as my final speech on Day 17 has not yet been destroyed by fire, it will not be necessary for me to repeat it, which you may regard as somewhat fortunate.

I did deal there with the order of priority that those I represent thought to be right. You will remember that our broad submission to you was that the London Transport Executive should pay its way only in the sense of meeting its working expenses on making its proper contribution to Central Charges; that no provision should be made for a general or replacement reserve, but only a provision for contingencies.

As I understand the observations you have made to-day, Sir, that is to some extent the view that you have adopted. In your Interim Decision you use the word "surpluses"; as we understand the figure of £2.5m., that is in effect a contingency or a headroom item which will enable the Commission to meet increased costs due either to increased wages or increases in prices, or increased costs due to additional working expenses arising out of depreciation on an historic cost basis.

(President): I think you submitted, Mr. Rippon, that the surplus should not exceed £1m.; I am looking at page 383.

(Mr. Rippon): Yes, Sir; we took the figure for contingencies in effect of 1.0 per cent., as suggested by the Herbert Committee, of the capital employed, £1.5m., and we said that that relates to a prosperous industry. In the case of London Transport, with a falling demand, we say that it should be something less than 1.0 per cent.; we did not in fact quantify the amount of the contingency item. I do not know precisely how it was arrived at, and I do not think it matters from the point of view of the Objectors I represent. We have only submitted that there ought not to be a general reserve as such, and there ought not to be a replacement reserve as such; we concede that there should be some surplus to act as a cushion, and naturally we accepted as low a figure as we could—

(President): I do not suppose the Commission would mind if it is called a contingency reserve, or what it was called—or indeed if it was anonymous—as long as they earn an interest charge.

(Mr. Rippon): It may matter in the future. To reduce the figure from £5.0m. to £2.5m., you must have accepted, I think, some of our argument. We did assume that that £2.5m. was to cover all the contingency items, however you had arrived at them; and we had also assumed, like the London County Council, that you had intended that that £2.5m. reduction should be reflected in a new fares scale, giving the full benefit of that reduction to the London passengers—I will not say permanently, but permanently so far as this Scheme is concerned.

I understand that that is in fact the view of the Tribunal, and there is no need for any argument about how long these concessions should continue, except in the case of the early morning fares.

So far as they are concerned, I can only repeat what I said at Day 17, namely that those whom I represent attach considerable importance to retaining the early morning fare concession for as long as possible. We were prepared to concede that they might have to go eventually, but I said at page 384, column 2, paragraph 3: "... we feel it is premature to abolish the obligation to provide

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early morning fares for some further period. It is the very fact that fares can increase to that level, by that amount of the order of 425 per cent., that is so damaging to the Commission's goodwill."

You will remember, Sir, that there is the table East Ham 1 on Day 10, page 244, which indicates the extent to which early morning passengers might have their fares increased if the obligation were removed altogether. We were not satisfied, and we are still not satisfied, with the Commission's assurance that they will look at these matters very carefully and not put it on all at once; we feel that the statutory obligation to retain early morning fares should be retained for a far longer period than to December 1960, which the Commission now propose—I think that is the only date with which we are now concerned. We do not have to argue about 1962 or whatever it may be, with regard to the season ticket concession; but we still have to satisfy you that the early morning concession ought to be maintained as an obligation, once removed from statutory obligation, for a longer period than that proposed by the Commission in their Representations.

If you look at Table East Ham 1, Sir, that does show that it would be very unfortunate to have increases of the kind that obviously could take place, where permitted, within such a short period, and I refer you to some examples of those on page 384.

For the rest, Sir, I think I can be content to adopt the submissions which have been made by the London County Council in paragraph 3 of their Representation; we would wish to see the retention of the early morning fare scale; we too must accept the decision of the Tribunal that they must go eventually, but we do not think they should go in anything like a period of one year.

We, too, would like to see the provision as far as all-night buses are concerned, eliminated at this stage; but if it is to be retained, then we would say that there should be some provision for granting vouchers to essential workers. It may be that there are difficulties in writing that into the Scheme, but we would ask for some very much clearer assurance than Mr. Harbour was able to give this morning.

We share the views of the London County Council about the children's half-fare and the elimination of the fractions rule. As you know, we would go further, and urge that a very high priority ought to be given to increasing the concession to children from the age of 14 to the age of 15—I think we would give that a higher priority than any other matter, with the exception of the early morning fares. Mr. Harbour has not yet been able to say how much that would cost, but he has promised to give the figure, and if it is not unreasonably high—and we do not think it will be—we feel that it should be taken into account. It might replace to some extent the £300,000 on early morning fares, which is to go eventually.

(President): This is for young persons up to the age of 15, going about their own occasions, not going to school?

(Mr. Rippon): Yes, Sir, but they will not be earning if they are under 15, and therefore we say that the concession ought to apply to them. You did suggest, when I raised this matter on the last occasion, that it would be very much more satisfactory if the Commission would give the concession themselves, but it is clear from Mr. Harbour's evidence that they are not so minded to do, and I do make the submission, therefore, that it would be a concession, if it is a concession, which would be greatly appreciated by those I represent.

(President): I have sometimes thought—and I have said this before at these inquiries—that it would not be unreasonable for them to pay a fare and a half. That is the impression I have had when I have travelled with them, but there it is.

(Mr. Rippon): I will not pursue that line of argument, Sir.

We feel that there is a very strong case really for making this adjustment. If you are to accept—and presumably the Tribunal do accept—that the children's half-fare ought to be retained up to some age, we say that the age of 15, and not 14, is now the logical age to be applied.

I think those are the only respects in which my submission would differ in any way from that of the London County Council.

(President): Thank you, Mr. Rippon.

(Mr. Noakes): As you know from my last appearance before you, Sir, I represent the Hastings Corporation; there has also been a letter written to the Tribunal by the Town Clerk of Brighton, saying that he desires to associate himself with the written representation made by the Town Clerk of Hastings.

When your Interim Decision was first made known to the Hastings Corporation, they came to the preliminary conclusion that they did not desire to appear before you by Counsel if you resumed your public hearing, but that they were content to rest on their written submission; but at a later stage they saw the proposals of the Transport Commission (Railways) in reply to your Interim Decision, and they desired in those circumstances that I should put before you just a few observations which would set out their views on one or two matters affecting them in the Interim Decision.

The first one is with regard to early morning fares. What they desire to put before you is this: You may come to the conclusion that either those fares should cease at once, or that they should continue for a limited period, or that they should continue, but at higher charges. That will be a matter for you, and I can only endorse what my learned friend has just said, that they hope that you will decide they should continue for a very long, if not an indefinite, period at perhaps a higher charge.

(President): I think the charge must be made higher if the ordinary is to be increased, must it not, Mr. Noakes?

(Mr. Noakes): Yes, Sir—at such higher charge as you may decide.

But the particular matter of the Commission's proposals to which the Hastings Corporation object is the differentiation, as it were, which is suggested should be made as between London Lines and elsewhere on British Railways. It is suggested by the Commission that as regards early morning fares there should be a certain form of early morning fares until the end of 1960 only, but that the Scheme should contain no obligation to issue on British Railways other than London Lines; and with great respect we have heard nothing either from Mr. Fay, from themselves or, as far as we can see from the written proposals, is there anything to suggest, that there should be any differentiation between those two areas. That deals with the early morning fares.

The other matter is as regards season tickets, and here it is accepted, of course, that there must be some increase in season ticket rates. The Corporation hope, by the form of Paragraph 7 (1) of your Interim Decision, that what you had in mind was an increase along the lines of the new schedule which has been provided by the Transport Commission. If that is so, residents of Hastings who travel up and down to London or elsewhere will have to bear it with the rest of the country.

With very great respect, Sir, when one comes to the proposals of the Transport Commission, we find not only as it suggested now that there should be a differential between the London Lines and elsewhere in the country, but that it should be a very serious differentiation because whilst they suggest that the new schedule of fares asked for by you should last in London until December, 1960, and that thereafter the original proposals should apply, other than on London Lines their original proposals should come into effect forthwith. I am asked, therefore, to put before you in the strongest terms that I decently can that there should be no differentiation made.

If London is to bear a certain increase which will be decided upon by you, the traveller who comes up and down from Hastings will, of course, have to bear the same increase, but we say it is not right that he should have an entirely different scale applied to him.

Those are the representations I desire to make, Sir, subject only to one other matter. No doubt there is nothing in it, but the Corporation, in considering the observations of the Transport Commission under Paragraph 8 (British Railways) noted this with an alarm which I hope is completely unjustified—perhaps they

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are reading into it something which is much more sinister than it is actually meant to be: "The Commission observe that the Tribunal intend to confirm the Commission's proposals as regards Ordinary fares on the lines of British Railways other than upon the London, Tilbury and Southend Line and suggest that the maximum fares referred to in Paragraph 3 of the Tribunal's Interim Decision should take effect on the date when the Scheme comes into force". It may perhaps be an inapt choice of language, but one has always understood from the very beginning that if you decided that the maximum fare should be increased to what the Commission desire, that is, 3d. and 4½d., there would be no immediate increase, but there should be a selective increase as and when, in the judgment of the Commission, it was thought desirable to make such an increase and I hope, therefore, that we shall receive an assurance that those words mean that the scales of maximum charges—

(President): Do we not deal with that in our Interim Decision?

(Mr. Noakes): In Paragraph 3 you say: "We shall confirm a Scheme which will (infralia) empower the Commission to charge for the carriage of passengers by rail by their services on the lines of British Railways other than the London, Tilbury and Southend Lines the fares stated in Paragraphs 7 and 13 of the Draft Scheme".

(President): Then will you read Paragraph 4?

(Mr. Noakes): "The Scheme as confirmed will empower the Commission to exercise the powers referred to in Paragraph 3 above, as from a date not more than one month after the Scheme is confirmed".

It is not really the question of the month, but the wording of that sentence does lead one to wonder whether there is a change of heart and that the fares could come into operation at once—that the maximum fares are taking effect and not the power to increase.

(President): We could not do anything—

(Mr. Noakes): Not yourselves, Sir; I am merely throwing this out. I understand that a number of persons have observed the precise choice of language, and we are hoping to receive assurance from Mr. Fay that there is no change from what he stated in his opening and by the witness.

(Mr. Fay): I think I can give that assurance. I do not quite know what my learned friend is complaining about, but apparently it is the phrase "take effect". It is suggested that the maximum fares should take effect, not the power to increase?

(Mr. Noakes): Yes.

(Mr. Fay): That is all governed by the words "the Commission observe" and "suggest" that the maximum fares referred to in Paragraph 3 of the Interim Decision should take effect on the date when the Scheme comes into force.

I can certainly confirm that there was no sinister meaning behind either the word "suggest" or the words "take effect"; the matter is still a matter for management.

(Mr. Noakes): I can assure my learned friend that the actual phrasing of that sentence has led to what is obviously a misunderstanding, and I am very glad that it has now been cleared up by Mr. Fay.

Those are all the observations I desire to make to the Tribunal on behalf of the Hastings Corporation.

(Mr. Walker): May I rise, Sir, to inform you of the position of the 26 County Councils; my name is Walker and I am Deputy Clerk of the Monmouthshire County Council.

As the Tribunal will recollect, the case for those 26 County Councils has been in the capable hands of Mr. MacLaren, and he has clearly set out to you on the 19th day of the Inquiry the views and observations of those County Councils.

Upon receipt of the Interim Decision of the Tribunal and the notification that this Inquiry was to be opened, however, those whose function it was to advise the County Councils of their position decided, in view of the reservations in your Decision and the consequential limitations on what might be discussed as regards British Railways here, to let their case rest as already put to you; but they did request that I and my colleague, Mr. Richardson,

should attend here in case these proceedings should lead to warranting any further alterations being made to you on behalf of the County Councils. Nothing has occurred in that direction, and that is all I have to say; but what I ask permission to do now is to make some very brief observations on the Interim Decision and on the written statement of the British Transport Commission; I can do that in a very few words now.

So far as the early morning fares and season tickets are concerned, with regard to the early morning fares we have to accept that the principle is to go, and all we would do there is to urge that in your wisdom that day should be as far away as possible. I would adopt what has been said already to you by my friend Mr. Rippon in that respect.

So far as the season ticket scales are concerned, we have no observations to make generally upon the proposals in your Interim Decision. However, Sir, the County Councils still feel that they should sustain their objection to an increase in season ticket rates; quite obviously there will have to be some, but I have to inform you that in the Counties of Kent and West Sussex particularly, there is very grave concern, particularly in regard to the position of people living in the seaside resorts there and travelling to London each day.

We have had probably a score of letters from the Councils in those two Counties with regard to this matter and I think I ought to read one letter from the Clerk to the Kent County Council which gives a specific instance in that respect.

He says: "The matter was considered by my Council's Parliamentary and General Purposes Committee at its meeting this morning when concern was expressed at the effect which the new season ticket rates would have on members of the travelling public living in Kent who have had to change their place of employment by reason of the closing down of Sheerness Dockyard. The view was expressed that in numerous cases additional travelling expenses were having to be met from reduced remuneration and that abolition of early morning fares and the operation of the new season ticket scales might be postponed until such time as the people affected have had an opportunity of finding alternative accommodation close to their new place of employment. The Committee felt that it would not be unreasonable to request the Tribunal to defer these dates as long as is reasonably possible".

Those are the views which I have been asked to put before you; they are very similar to those which have been expressed already. I would also adopt all that has been said before you by Mr. Noakes in regard to towns in a similar position.

The only other comments I have to make are on the proposals contained in the written statement of the Commission with regard to the early morning fares and of the season ticket scales so far as British Railways are concerned.

There again, Sir, I must adopt the argument, which was far better put than I could put it by my friend. We feel that it would be most unreasonable and completely unjustified by anything that has been put forward by the Commission either to-day or on previous days; it would subject the rest of the country to have the worst of these increases before London. They do not think they should have 18 months in advance to feel the effects of them in regard to early morning tickets and also they feel that the season ticket scale should be different from that which is asked for now by virtue of the Interim Decision. We think that there should be equal parity for the rest of the country with London, and we are satisfied to leave the position now in the hands of the Tribunal.

(President): Mr. McKenzie, are you going to be very long?

(Mr. McKenzie): No, Sir; I shall be very brief.

I believe you are acquainted with the reasons why my friends Mr. MacKenna and Mr. Grant are absent to-day; they have other engagements which have precluded their presence, and I would like to repeat their apologies.

I would like also to submit to you observations on behalf of the Middlesex County Council, which were to have been sent by post yesterday, but the printed copy only arrived as you opened this morning; perhaps they can be distributed now.

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I will not go into the detail of the document, Sir; I think it is self-explanatory.

It consists of two tables which are expansions of revised Exhibits WHL. 1 and WHL. 2, and that I think completes the "Lawson picture", if I may put it that way.

There are also at the back of the document three pages, explaining where the various figures come from, and at the front of the document there are five pages which contain the observations on behalf of the County Council and the separate calculations.

May I detain you just for a moment to call attention to the two observations on behalf of the County Council on the first page; at paragraph 2 you will see this: "The Council's first observation is that the Commission's figures of central charges brought out by both calculation (a) and calculation (b) on page 3 of their Representations are excessive".

Then in paragraph 3 of my document you will see: "The Council's second observation is that, on present evidence, the central charges and revenue charges for depreciation are unlikely to increase so much in 1962 and subsequent years as to warrant the Commission's submission in paragraph 7 of their Representations that the maximum charges in the original draft Scheme should apply as from 1st January, 1962"—you have indicated your views on that, Sir. I think I need say nothing more than to commend the document to your consideration.

(President): Thank you, Mr. McKenzie. Is there any body else? (No response.)

We shall adjourn now until five minutes past 2, when we shall hope to hear some observations from you, Mr. Fay.

(Mr. Fay): Yes, Sir. I hope I shall be able to digest the new WHL tables!

(President): Yes, and it ought to have a number, but someone will be able to work that out during the luncheon adjournment.

(Adjourned for a short time.)

(President): Mr. Fay, you will have heard that there are some latecomers who wish to address us.

(Mr. Fay): If you please, Sir.

(Mr. Ruler): I would like first of all to thank Mr. Fay for having made some room for me here.

Since the last appearance, Sir, we have obtained two sets of figures, one, those that have been submitted to you by the Commission, and the other which has been obtained by us independently.

As regards the first set, inasmuch as they refer to likely loss of traffic and dropback in certain circumstances, the figures are conjectural. At best they are calculated by what is known as "jobbing backwards", always a dangerous proceeding, and at worst, mere guesswork.

Fares may easily be at what, in economics, is known as a critical point, and increases may well produce a far greater loss than anticipated.

(President): Are you saying, Mr. Ruler, that the estimates as to what the Commission will obtain by the altered fares has been put too high?

(Mr. Ruler): The possible loss of traffic may have been put too high. They call it "dropback", which I take to mean a temporary fall—

(Mr. Fay): I would point out to Mr. Ruler that the expression "dropback" means shortening one's journey; it means to drop back to the next previous fare stage and walk the difference.

(Mr. Ruler): It is a suggestion that the figures of possible loss in traffic as opposed to money may be far greater than they supposed, and may be approaching a critical point.

(President): In other words, you are suggesting that their estimate of the net yield from the increases proposed is too high?

(Mr. Ruler): I think it is too high; I think their dropback—their decrease in traffic—will be greater than they anticipate.

(President): The conclusion would seem to be from that that they ought to be given higher maxima than those proposed.

(Mr. Ruler): No, Sir; I think with respect that is an incorrect deduction. I suggest that by increasing the fares, they are going to lose more traffic than they anticipate, and that the final results will be worse than they would be if they did not increase the fares.

The second set of figures that we have received are more factual. The weekly traffic receipts of the Southern eastern division range from £150,000 to £300,000 according to the time of year, and because of the popularity of certain weeks for taking out long period season tickets. Throughout the whole year the average is about £200,000 a week, of which approximately a half is earned by the electrified services in the London Transport area.

Now, during the bus strike in May and June of last year, the average increase in weekly takings was £20,000, the bulk of which must necessarily have been in the London Transport area. On the other hand, there was no increase in operating costs.

This confirms our contentions on previous occasions. If a reasonable service be maintained throughout the day, and excess buses withdrawn, and with rail fares not artificially inflated, then on the Southern eastern division, revenue will rise, if not by £1m. a year, then to a figure of very substantial proportions. *Per contra* there is going to be a great fall in operating costs of the duplicating buses.

As regards the red-line tickets, any large increase in the rates is likely to kill the desired season ticket on the newly electrified Kent coast lines traffic.

We therefore submit that you reject the application for higher season ticket prices on the Southern, and that the Commission be required to explore the possibility of netting a major proportion of the aforesaid £1m. a year on the eastern division, and to take similar steps on the other divisions. There is no reason why spectacular results should not also be achieved north of the Thames.

Under present conditions the Commission have taken the line of maximising staff, whilst other large scale undertakings from the telephone service to restaurants and chain stores have endeavoured so to arrange their affairs so as to achieve the exact opposite. What I am trying to express there is that they are taking the traffic on to buses, which demand an inordinately large staff as compared with the comparatively small staff which is needed on a train on an existing line.

That is all I want to say, Sir.

(President): Thank you, Mr. Ruler.

Is Mr. Rogers here, representing the South-East Essex Railway Travellers' Association?

(Mr. Rogers): If you please, Sir. As you know, Mr. Wellum represented the South-East Essex Railway Travellers' Association at the original hearing; it was then known as the Benfleet & District Railway Travellers' Association. Unfortunately Mr. Wellum has not been able to be here today, and I am endeavouring to replace him at rather short notice.

It does appear to the South-East Essex Railway Travellers' Association that the new proposals of the Transport Commission are virtually the same scheme as originally put up, except that the increases are to be implemented in two sections; and therefore, all the arguments of Mr. Wellum which were put forward at the previous hearing will still be valid.

In its Interim Decision the Tribunal excluded the London, Tilbury and Southend Line from the proposed increase in ordinary fares. I submit that the arguments which led you to exclude that Line from the increases will apply equally to season ticket rates.

With regard to early morning fares, you will recall, Sir, that Mr. Wellum produced evidence that quite large numbers of white collar workers were using these early morning tickets, and those travellers are travelling earlier than they would need to do, by as much as 30 or 60 minutes, in order to take advantage of those cheaper rates.

It is therefore our conviction that if the early morning ticket scheme is withdrawn, there will be a very considerable increase in the number of persons travelling during the morning peak hour, and we submit, therefore, that you will recall what you said in your Interim Decision,

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namely that you had not decided when to withdraw that obligation. We submit that the obligation should not be withdrawn until such time as the Commission can provide adequate seating facilities for the additional load which will be carried during the early morning peak.

(President): We cannot make any such order on this Application, Mr. Rogers. People seem to have forgotten the provision entirely; that is a matter for application to be made to us for reasonable facilities.

(Mr. Rogers): I am merely basing it on the fact that you said in your Interim Decision that you had not decided when that obligation should be withdrawn, and we suggest that you might be able to make that condition.

Also I venture to suggest that the proportionate increase in the early morning fares during such time as you decide they should be retained should be proportionately not greater than any increase you may make in respect of the season ticket rates.

Those are the only points I wish to make, Sir, but if I may, whilst I am here, I would like to refer to the question of the railway sleepers—the burning of railway sleepers—which I mentioned when I was giving evidence at the original hearing. With regard to that, I would just like to say that within 48 hours I had found a contractor in Benfleet who has taken up, I think all, or at any rate a tremendous number, of those sleepers which had been scheduled to be burned.

(President): Is there anybody else who wishes to address us? (No response.)

(Mr. Fay): May it please you, Sir; I hope I shall be able to deal with what I have heard this morning with the brevity with which the observations were made.

May I first give to the Court and to my learned friend Mr. Rippon the information which Mr. Harbour promised; that is the cost of projecting the half-fare for children from the age of 14 to the age of 15. Necessarily, Sir, this must be a speculative figure, because one has not any statistics of the age of children as travellers; but with that caution, London Transport Executive think that the figure is of the order of a quarter of a million pounds.

In reply to the observations which have been made today, may I deal first with the position of British Railways outside London. You have already said, Sir, that the order of the Tribunal will authorise the 3d. single, second-class fare, which we have asked for. Because of that we reiterate our prayer that you would authorise the full season ticket rate as asked for in the Scheme as lodged. We do that for this reason: As you well know, and as has been said so often, outside London this Scheme is intended to confer headroom. It is not intended, as may well be the case inside London, that the maximum should be the actual. That is a matter to be left to the discretion of those who have to apply their minds to any individual locality and to any individual fare. If there is any case where it is thought right to put on the full maximum fare of 3d. a mile, it would be right in my submission to accompany it with the full season ticket rate as laid down in the Schedule to the Scheme as originally put forward. The Commission ask that the Scheme when approved, as far as British Railways outside London are concerned, should authorise that scale.

I say again for the benefit of those who insist on regarding that which is authorised as that which should be charged, that this is regarded by British Railways as a headroom to be applied selectively and in accordance with any particular circumstances arising in any particular case, and not as a blanket authorisation which will be made use of to the full at once—far from it.

Before I pass from seasons, Sir, and in view of what has been said this morning on behalf of the Hastings Corporation, I would like to emphasise the nature of the season ticket concession. I can do it with figures which relate to Hastings, since they take such an interest—and very properly so—in the matter.

The position with regard to Hastings season tickets at the moment is this: At the moment a person going to Hastings Railway Station and travelling from there can obtain a quarterly season ticket which will take him to any of the London termini, Charing Cross, Cannon Street, Holborn Viaduct or London Bridge; he can pay the full

rate of £26 5s. 3d., and if he goes to those stations he can also use that ticket to intermediate stations. That is the full rate to all the London termini.

There is also available to persons living at Hastings and using that station, a cheaper concessionary "red line" season ticket which entitles the holder to go from Hastings to any of those London termini, but not to use intermediate stations. That ticket will cost him not £26 5s. 3d., but £20 7s., nearly £6 cheaper in the quarter.

I say again that the fact that that concessionary season ticket is available to the citizens of Hastings today is perhaps the best proof of the groundlessness of the fears expressed by their Representation in this court that British Railways is going to act oppressively if it is given some increased charging power. That concessionary season ticket which is enjoyed by many, many passengers from Hastings could be withdrawn tomorrow, or it could have been withdrawn yesterday or on any day since it was first instituted.

I should say, Sir, that the full-rate season is 88 per cent. higher in price than the comparable season at the outbreak of war. That is not much of an increase compared with the increases which one knows have come about in the great majority of commodities and services since 1949. The "red line" season has increased since 1939 by 89 per cent.

Those figures of prices, £26 5s. 3d. and £20 7s. 9d., sound, I may be, high prices to pay for a season ticket, but may I just follow out what in fact they mean in terms of cheap travel.

The distance over which one can travel on those tickets is 83 miles; that is the distance to the various London termini over the connecting lines. The distance from Hastings to Charing Cross, for instance, is 63 miles; the extra 20 is on the connecting tracks over which the season ticket entitles one to travel.

Anyone who holds one of these tickets can travel every day; if a person travels on the full-rate season, the most expensive Hastings ticket, for 90 days in the quarter—

(President): Not many people would go up and down to Hastings more than once in a day, Mr. Fay, unless, like myself, they take pleasure in railway travel.

(Mr. Fay): No, Sir; 90 days is using it every day—

(President): Including Sundays?

(Mr. Fay): Yes, Sir.

If he travels for 65 days in the three months, which means not using it on Sundays, it costs him 8s. a day, and on the "red line" season, travelling for 65 days, it will cost him 6s. 3jd. a day.

So for 6s. 3d. or 8s. he gets a journey which costs the ordinary traveller paying 2d. a mile for a return ticket, 21s. There, I submit, is the measure of the concessions that these season ticket travellers from districts like Hastings travelling to London, enjoy today, and it may be that the fact that they speak so loudly in this Tribunal is a measure of their appreciation of the fact that they have enjoyed a concession which, on any fair view of it, ought to be reduced.

I say no more about it, Sir; the season tickets are issued at a very cheap rate, and what has been said on behalf of the Commission before in this respect stands, and I will not repeat it.

As to early morning tickets, the Tribunal has said that it proposes eventually to abolish the obligation on the Commission to charge them. As regards British Railways outside London, I would urge, as the memorandum lodged has urged, that the obligation to issue them should be deleted as from the making of the Order. The Commission would then continue to issue them where it thought right—where for commercial reasons or for any other reasons they see fit. It does not follow that because they are not enjoined by law, there will not be early morning tickets issued in suitable cases.

(President): But it will seem a little odd to the person whose home is just outside the London area to learn that he is liable to be charged at a rate, when he goes to work, which is higher than the rate which another person, a friend of his, who lives just inside the London area, is charged?

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(Mr. Fay): I do not suppose he will mind learning that that is theoretically possible, Sir, if it does not happen in practice.

(President): But if it is never going to happen in practice, there is no reason why the power should remain.

(Mr. Fay): If he is just outside the boundary and travelling into London, that presents what has been referred to before as the "cross-boundary" problem—that is what it has been called in the past.

It has been said before—I have no instructions about it, but I shall be told if I am wrong—that scales of fares must be tapered at the boundary, so that it is not cheaper for a person to buy two tickets, perhaps change, get out, buy another ticket and wait for the next train. So any depression of the scale up to the boundary will have its depressing effect on the actual prices charged on the boundary for a sensible distance. That has been the case at boundaries in the past, and I doubt not that it will go on; but there have, of course, always been these problems arising out of a difference of treatment in London, where there is what is no longer a monopoly, but perhaps a quasi-monopoly in the Commission in public transport, and outside London where there is not; there have been for a long time differences in ticket scales, for example, and if it is said, as was said by Mr. Walker this morning, that London, in the matter of early morning fares, is to be favoured over the rest of the country if the Commission's proposals are granted, I would repel that at once. London is not being favoured over the rest of the country; Mr. Walker has forgotten that the rest of the country already has had early morning tickets abolished over a great part of the area of public passenger travel, because the majority of the large operators, the operators of public transport in large centres, have been permitted by the Traffic Commissioners to abolish early morning fares already.

(President): Yes, Mr. Fay, but all this does not get over the point that on your proposal a privilege is to be retained until the end of 1960 in the case of persons resident within the London area, and it will not be retained in respect of people outside the London area.

(Mr. Fay): That is so, Sir, as a matter of law. What will be done if that proposal is implemented—what will be done by British Railways outside London—I cannot commit them to; but it will be surprising, I submit, if they abolish all early morning tickets at a stroke of the pen. They are still empowered to grant them; they are still, as I have said before, susceptible to various kinds of persuasion by the Consultative Committee and otherwise. Indeed, Sir, I read only yesterday in the paper of somebody with reference to a matter pending, so far as I can see, in this Tribunal, who had presented a memorial to the Minister and who had received a reply from the Minister.

I say no more about that, Sir; that is the kind of approach which has been made by people who have had representations to make in the past on the actual operation, within maxima, of fares which have been approved by the Tribunal, and so far as British Railways are concerned, I would submit that the London situation is one thing and the situation in the rest of the country is another, and that one has to draw the line between the two somewhere, and that line is drawn, in respect of London Lines, as described in the Schedule to the Scheme.

(President): But that is leaving it to the Commission, and trusting to their managerial discretion. It is saying that we should leave the obligation with regard to early morning tickets, entrusting to the Commission to temper the wind to whatever lambs they regard as being shorn. It makes nonsense of any accurate delimitation of fares if we are to be told that the Commission are always quite reasonable and that there is no necessity for us to interfere in our absurdly niggling mathematical way.

(Mr. Fay): That raises what I ventured to touch upon when I last addressed you: What is the purpose of a maximum?

(President): Yes, but your argument missed out what is a necessary first stage, namely: By reference to what criteria should maximum fares be fixed? It is plain in the Statute that once maximum fares are fixed, of course, the administration must be left to the management of the Commission.

(Mr. Fay): Yes, Sir; I ventured to suggest at one stage that the object of any maximum was to prevent extortion, and the difference of approach, which is a perfectly understandable one, between London and outside, is due to the fact that in London there is a monopoly of public transport.

(President): Then that merely refers one to another word: What is extortion? What are extortionate maximum charges?

(Mr. Fay): I would say that they are something out of the way and out of reason.

(President): Is. 6d. a mile would be unduly extortionate; would that be a reasonable maximum?

(Mr. Fay): No, Sir; we propose no more than 3d. a mile, in railway fares, as a suitable ceiling.

(President): But how do you arrive at it?

(Mr. Fay): As something we thought could be supported as reasonable in all the circumstances; and in my submission, Sir, we could have supported something higher before we got to the stage where this reaches the edge of extortion.

Perhaps it is said against us that we have been too reasonable in the past—I do not know; but may I say that the provincial traveller usually has a choice of travelling by road or travelling by rail; the rail fares, if they are to be competitive, must take their actual level from the road in the case of people who do not choose higher sums because they value the advantages of rail; in other words, Sir, there is competition bearing upon the matter outside London. That is the effective protection; that is the effective reason why there may well be in the future even if you abolish the obligation to issue early morning tickets, tickets in the morning, for all I know, which will cost no more than what the traveller would have to pay if he went by road. At present the traveller by road in most areas is not able to get a cheaper ticket because he travels early, and it has been said in evidence in the Tribunal on this occasion that the cheap-day tickets which are available all day as a concessionary matter in some areas are very different in quantum from the early morning scale. They are the best evidence that the operation of competition outside London has the effect of protecting the public far more effectively than any maximum which is clamped down upon the maxima which are charged outside London; and therefore I would submit, Sir, that the maxima ought to be fixed high enough to enable the railways to charge up to the maxima in those cases where they think it is right. That, Sir, in my submission, is the function of a maximum outside London.

Now may I go on to deal with the position in London. As I understand the Decision of the Tribunal, the Tribunal are endeavouring to look ahead to the full financial results for the years 1959, 1960 and 1961, and they hope to provide fares which, if charged at the maximum, will provide during the present year the working expenses of London Transport, plus a just contribution to Central Charges—to provide that at least.

(President): Yes; that is our main innovation in this Inquiry. In all previous Inquiries the estimates, and our decisions, have been based upon figures for a notional year, and that notional year has usually been 12 months from the date when the Scheme was lodged, or the exhibits were framed, and running for six months in the future. Once we became aware that there was an actual approved Scheme of various kinds of capital expenditure which had just been begun and which were to continue over a number of years, it seemed to us that it would be quite absurd to base fares on figures relating solely to a notional period of six months or more in the future, and we intended—and I gather it has been sufficiently understood—to convey that we hope to provide a Scheme which would carry the Commission, provided there were no general increase in the level of costs, up to the end of 1961.

(Mr. Fay): If you please, Sir; it was indeed plain to me and to those instructing me, and speaking for myself I am glad to be free of the thraldom of the alphabet in these matters. One does feel that we are slightly nearer to reality in the actual year, whose accounts one hopes to see in due course in actuality.

As I understand it, in the two following years—and I fully accept what you said this morning that you are

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not proposing to go beyond the end of 1961, so I say no more about any year after that—in those two years you are hoping to provide the Executive, by the maxima which are granted, with a surplus of £2½m.

(President): I think we said an average, did we not—"at the rate of"?

(Mr. Fay): Yes, Sir. I think we pray that in aid, because what we have proposed comes out at 0.1 above in one year, and 0.1 below in the next. That is a slightly different approach—perhaps it is a very different approach—from that on which the Commission started this matter in December of last year, and I think some of the confusion which I thought I detected this morning in the speeches of my learned friends stemmed from the fact that it is a different approach. It is what might be called the specific year approach.

One has endeavoured to look at each of the years, 1959, 1960 and 1961, and see what the financial position will be; whereas in the Scheme which the Commission propounded so long ago the way in which finance was looked at was to take the figures from 1958 and a budget for 1959, and so, on a rather coarse approach, give a figure of £6m. for Central Charges, attributing a figure of £3m. to replacement reserve and £2m. for general reserve, and then see what is wanted.

We did not condescend to anything less than the nearest million in that respect, and it was altogether a much coarser approach; and I think it is what misled my learned friend Sir Milner Holland into thinking that there was something inconsistent—something which could be blame-worthily inconsistent—in the way of the Representations were put before you.

We have endeavoured to alter the approach to conform to what we understood to be the Tribunal's attitude as expressed in the Interim Decision. We apprehend that we have to direct our minds specifically to three different years, and we have endeavoured to do so. We have not continued with the approach we formerly adopted of looking globally at the position in a rather coarse focus and saying: Here is a revenue requirement, and we hope the revenue we get in consequence will last several years; we appreciate the components of the revenue will change within that time, but we do not bother about those changes.

It is rather an odd circumstance about this Inquiry how, as time went on, the approach of the different parties has tended to vary. The present manner of looking at each year individually in future really stems from Sir Milner Holland's table which he put in at page 411 of the transcript, when he was looking forward to the effect year by year over the years of the investment programme, an effect brought into the accounts for the future as an increase in Central Charges, interest charges, increased depreciation, and off-set by savings.

That is an approach which, as I see it, has commended itself to the Tribunal, and that is the approach which we have now adopted in the Representation that we have made.

Much the same could be said about the way in which the climate has changed as to the financial method of arriving at the Central Charges, because as it seems to me the principle matter of a debate which is still susceptible to being carried on is the form of the just contribution to Central Charges which my learned friend Sir Milner Holland put this morning in a table derived, I think, from the skill and ingenuity of Mr. Hill. That table was Exhibit SWH 9, which purported to show an additional revenue requirement, stemming, of course, from the Central Charges as he sees them; and there was at a very late hour put in a new exhibit by the Middlesex County Council which I have hardly had time to digest, let alone take instructions upon. That is continuing into the future, as indeed I suggested this morning might be done, on the Middlesex County Council, or the Lawson, approach to the same question.

I would like, if I may, just to look at these tables and see how far they assist our deliberations. Exhibit SWH 9, shorn of the last two columns, is in many respects the same as the Commission's tables. The important difference, of course, lies in line No. 1, where what is described as "Basic amount" (which is in fact Mr. Hill's estimate of

Central Charges) is given as £5.4m. for 1959, instead of £6.1m. as given by the Commission.

That is the only major difference between the Hill approach and the approach of the Commission now; there are minor differences in the table at the bottom of Exhibit SWH 9, which corresponds to Appendix A of the Commission's Representations. I think I am right in saying that the figures are all the same, with the exception of line 18.

Line 18 is the line for additional interest produced by the borrowing to meet the net capital requirements, and in 1959 Mr. Hill puts nothing in that line. We have put in £0.1m., £0.1m. being, in Appendix A, 5 per cent of a half-year's borrowing (because we have taken the average) of the amount of £3.6m.

(Sir Milner Holland): Just to make that clear, Sir—although I do not think it matters—the reason why there is not a figure in Mr. Hill's table is that, as you remember, his £5.4m. is £5.3m. plus £0.1m. for 1959. That is why he does not put it in the other end; it does not make any difference.

(Mr. Fay): He is merely saying that the £0.1m. ought to be there if the table is to correspond to Appendix A, and I accept that.

The only other difference between the bottom part of the table and Appendix A is that in 1961 Mr. Hill produces £0.6m. of additional interest, whereas we produce £0.7m. Mr. Hill has taken 4 per cent. interest, whereas we have taken the more realistic figure in present day circumstances of 5 per cent. interest.

But those are minor matters, and the only difference between Mr. Hill and the Commission lies in his starting figure, be it £5.3m. or £5.4m.

I said a good deal about his starting figure in March, when I addressed you, and I do not propose to repeat it—

(President): You say that you do not propose to repeat it, Mr. Fay, but I was proposing to ask you to repeat it. I was proposing to ask you something with reference to page 3 of your Representation, in which you refer to the "main submission". I take it that this cannot be what you said in March last?

(Mr. Fay): Yes; what I said first in December and repeated in March.

(President): Will you tell me by reference to what figures that main submission that the central charges ought to be treated as £6m. in 1959 is based?

(Mr. Fay): That is based primarily upon the fact that that was the figure agreed between the Executive and the Commission. It was the figure arrived at by judgment and tested by tests.

(President): Will you tell me by what tests, then?—because we are not in the confidence of the Executive and the Commission except insofar as you tell us the results of their deliberations. By what tests are we to test whether the Executive and the Commission arrived at the right figure?

(Mr. Fay): I would now submit that you test it by that which I gather from what you said this morning commends itself to you, the specific approach.

(President): I am merely asking you, in the name of the Commission, to tell us by reference to what tests that question ought to be settled. We have got at least five calculations before us.

(Mr. Fay): There is no one test on which the Commission's classic method of skill and judgment can be assessed. The process which has, surely, been explained to the Tribunal more than once is the assessment, by those who know what the position is, of a figure in the light of all the circumstances, and the reason why an assessment and not a mathematical computation was adopted was the reason which I indicated in my final speech to you, that no arithmetical computation can deal with all the changes of circumstance which arise in an organisation of this kind.

(President): You may take it as being an irreformable decision of ours that there is no mathematical test in the sense of giving a completely final and definite answer, if only because a number of eminent gentlemen have put

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different mathematical tests and there is nothing, as a method, to choose between them.

(Mr. Fay): If you say to me "There ought to be a mathematical test" I would say then let it be the specific approach, but let it not be some hybrid.

(President): I am not saying anything "ought to be" to you. I want to know what you are submitted to us should be the method we follow when we fix in our minds the amount of the Central Charges allocation in 1959.

(Mr. Fay): I am not sure that I would be so bold as to go so far as to say what method you ought, to the exclusion of all other methods, to follow.

(President): You must be in a position to make a submission to us. We may disregard it, of course.

(Mr. Fay): I recommend to you the Commission's method by which they started, the fairly broad method of deciding commercially and as a matter of judgment what the figure ought to be and deciding it as between persons who know all the circumstances, know what the different tests produce, and apply their judgment to the result. That is hardly a matter which the Tribunal, of its own knowledge and within its own deliberations, can apply *de novo* because it depends upon the judgment being exercised by persons who are running the organisation, who know its ebbs and flows of traffic, and so on. That is the way in which the matter was first dealt with. If one wants to apply a mathematical test, then I think it has clearly emerged at this Inquiry that the pure mathematical test is the refinement of the specific approach, provided one gets the specific approach, as it has been called, correct, and I commend to you, Sir, PJ 16, extended by Appendix C to the present representations.

(President): When PJ 16 made its appearance you were careful to say that it was not being put in as part of the Commission's case and that the Commission's case was not that the specific approach was the right one.

(Mr. Fay): Yes.

(President): Are you now saying that you are propounding PJ 16 as being a permissible method?

(Mr. Fay): I am certainly propounding it as a permissible method. I am not saying it is the method which the Commission themselves would follow domestically because I have no instructions on that—

(President): We shall not intrude into the domesticity of the Commission, but I do want to get into my mind what are the methods you commend as being the methods which should be followed in arriving at a just contribution. Let me ask you specifically: Do you commend to us Mr. Winchester's table WW 12 on page 117? That is the table in which the British Railway's contribution is taken as fixed at £41m. Is your answer that you commend it to us?

(Mr. Fay): I certainly commend that, yes.

(President): Do you commend to us Mr. Winchester's table WW 13 at page 243?

(Mr. Fay): No, Sir. I see the force of the argument in its favour, but, in my submission, since the passing of the Act required an allocation to be made to Central Charges by British Railways for the purpose of the accounts and for the purpose of finding out what was to be transferred to the Special Account, it is right, when one considers the finances of the rest of the undertaking, to pay regard to that fact.

(President): Suppose the figures in the Accounts for 1958 and 1959 are different and more than £41m. is allocated to British Railways.

(Mr. Fay): Then, Sir, the proportions thrown up on page 117 would be different. But one can only, on this method, deal with the existing position, one cannot look ahead to the future. The only way of looking ahead with any precision to the future is to adopt the specific approach, either completely as in PJ 16, or in a hybrid by grafting it on to the figure with which you start and saying: what are the changes which we can quantify?

(President): In WW 12—which at the moment does not appeal to my mind, and did not appeal to my mind when it was first produced—the results vary between £6m. and £7m., do they not?

(Mr. Fay): Yes, Sir. I think there was a spread of that kind in the figures given by Sir Reginald Wilson in

1952 when the matter was dealt with in the Tribunal's memorandum.

(President): And we did not accept any of them.

(Mr. Fay): No, Sir.

(President): We took a figure lower than Sir Reginald Wilson's lowest.

(Mr. Fay): If you say so, Sir.

(President): I thought it was so.

(Mr. Fay): I had not that recollection.

(President): Do not take us back to 1953.

(Mr. Fay): I think it was lower than the one he said he had arrived at by judgment, but whether it was lower than his lowest, I do not know.

(President): Do you, or do you not, think that the method which is followed in Mr. Lawson's table is a permissible method?

(Mr. Fay): It is certainly a permissible method, subject to criticisms of detail, which I would like to say a word about in due course.

(President): Therefore, you would say that Mr. James's PJ 16 is a permissible method?

(Mr. Fay): Certainly, Sir. It has the attraction, of course, of finality and it has the attraction of being a matter of mathematics, and provided one takes the right figures, one merely has to do the sum, and that is an attractive form of approach. But the Commission—and I have taken instructions upon this—do not depart from the approach which they have propounded consistently since the first of these Schemes, that the true allocation of Central Charges to London Transport must in the end be a matter for the exercise of judgment, looking at all the tests and all the calculations and, perhaps, being helped by all of them.

(President): That appeals to me and I should have thought that is so, but what I am trying to get from you is which particular calculations are included among those at which we ought to look in exercising our skill and judgment?

(Mr. Fay): The exercise is one of finding what is the fair contribution to the over-all interest charges in comparison with the Central Charges of the Commission, and one can approach it from different angles. I can propound to you and ask you to accept the authoritarian view that the Commission have looked at it and exercised their judgment and, therefore, that is right. I do not do that, it would not be right that I should—

(President): Or any good!

(Mr. Fay): I appreciate that follows too, but I do ask you to pay whatever attention you think right to the fact that the Commission and the Executive, as between them, have reached a decision. It is a factor, it is a piece of evidence, which, in my submission, should have some weight, and the weight you give to it you will decide. But when you are testing it by other approaches, in my submission, one cannot exclude any of them. The question is: What is the right weight to be given to any one of them.

(President): You see, this is the curious thing, Mr. Fay: Putting on one side, without disrespect, Mr. Winchester's two tables, the witnesses on both sides are in agreement as to a specific approach. We have Mr. Lawson's table; Mr. Hill's table is not on the specific approach, but he specifically said that he agreed with Mr. Lawson's tables subject to some fine points, and Mr. James put forward a table again based on the specific approach. So that if one is influenced in one's search by comparative unanimity, the specific approach would seem to be the more generally commended, would it not—subject to differing from each other on points of detail?

(Mr. Fay): I certainly do not seek to exclude it from consideration. I think I am entitled to say, in the light of the fact that we are not now dealing with the broad approach with which we started but are trying to look individually to each of three years, that perhaps the specific approach has greater advantages than some of the other tests. But the Commission's view is unaltered, that whatever weight one gives to the tests, all those calculations, nevertheless, are tests, and so far as they are concerned they put forward what they think to be just in

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[Continued]

all the circumstances, taking into account, not only the matters which can be extracted from the accounts, but also the imponderables.

(President): We cannot weigh the imponderables, can we? I am afraid we have got to act on a figure.

(Mr. Fay): If you feel you should act on mathematics as derived from the accounts and as derived from forecasts, then, of course, there is the specific approach, and it is an approach which I certainly do not want to condemn because the Commission do not seek to condemn it. They regard it as an important test, and if you regard it as the most important test, I do not suppose there will be any quarrel between us.

(President): Can you mention any imponderables? You divided the impossible factors between mathematics and imponderables. Is it possible for you to specify, even in general terms, a particular imponderable?

(Mr. Fay): Yes, indeed. I dealt with it in my final speech. My recollection is that the chief matter which I referred to was exchanges of traffic between one organ of the Commission and another.

(President): Past exchanges?

(Mr. Fay): Yes.

(President): That would be reflected in your net receipts, would it not?

(Mr. Fay): No, Sir, it is reflected in the profitability. If the profitability of one part of the undertaking is enhanced at the expense of another, without any change in the capital structure, then it would be right, in the Commission's view, that the part of the undertaking which had a far greater profitability than its less fortunate brother should contribute in some degree to the Central Charges of the Commission in reflecting that increased profitability. The exchange of traffic which I remember I mentioned was the result of the London Area Scheme in 1950, when British Railways' fares, in many respects, went down and London Transport's fares went up, and there were very considerable exchanges of traffic off London Transport on to British Railways at that time. Now the result of the fare policy was that the Commission as a whole did the same amount of traffic, but the balance as between the two organs of the Commission was affected without any alteration to the capital structure of either.

(President): You say that change would be reflected neither in calculations of the global kind nor in calculations of the specific kind?

(Mr. Fay): Yes. They might be reflected in some of the tests which the Commission have, in the past, applied, such as the test of turn-over, comparative turn-over, or the test of the number of persons employed, because those might well vary in a way which reflected that exchange of traffic between the one and the other; but the capital structure would not change, the investment would not change, but one would become more profitable, and it was thought right and just that the more profitable one should thereby increase its contribution to Central Charges because it had got some of the profits which hitherto had been earned by the other. That is what I was referring to as imponderable.

(President): Of course, no one has ever answered the question: How, upon either of these methods, is the Commission going to have its total Central Charges provided for when everybody knows that some of the activities which are regarded as separate activities cannot possibly provide anything more than their working expenses?

(Mr. Fay): Yes. That is, of course, another aspect of the problem which does not, perhaps fortunately, impinge upon this Inquiry, because the Commission have, again, tied a shackle about themselves by saying "We do not seek from London more than that which it is just should be received from London". We are not seeking, for example, to get from London a penny to subsidise the canals.

The passage in my final speech where I dealt with what I have called the imponderables is on page 451, in the right-hand column, where I said: "What we aim to provide under the name of a proper contribution to Central Charges is a fair charge, and these mathematical approaches, whether specific or global, are apt to be, in certain circumstances, unfair for a number of reasons. Mr. Lawson's approach suffers from this defect, that it

never takes account of any cessation of business there may be. He has London Transport going on paying interest on the undertaking as it was at take-over and if it abandons an activity and writes off the capital assets involved it makes no difference to his calculation. That, of course, happened in a small way when the trams were abandoned and written off, and it will happen again with the trolley-buses. That is one of the defects of his approach. There is also this defect, that both approaches do not take any account of transactions between various organs of the Commission which have the result of increasing the profitability of one and decreasing the profitability of another", and that is where I hope my recollection is right and I referred to the 1950 Scheme and the transfer of traffic.

I touched in the next paragraph on the effect of boundary alterations in the London Transport area. Those are matters which are, of course, relevant if one applies, as the Commission have applied, judgment and then test it by looking at the numbers of persons employed, the turn-over, and the other tests which we mentioned.

(President): You throw them all into our lap and tell us to get on with it?

(Mr. Fay): I cannot do more than say that that is the figure which those who turned their minds to the matter thought right. What I can do, Sir, is to say this, that that is an approach which is possible, of course, only to persons within the Commission; but if it is to be exercised as an exercise in expertise and if one looks at the approach which commands itself to the Objectors, the specific approach, one can derive a valuable test and, in my submission, a test of utility in this case by looking at the specific approach, seeing whether it is correctly drawn as a matter of logic and mathematics, and then seeing what figure that shows. My submission is that the pure and proper specific approach is that which is shown in PJ 16 and Appendix C, and that throws out a figure higher than the figures on which we are founding our case. That is, perhaps, a good test of the fact that in exercising their judgment those who exercised it were behaving reasonably and properly and arriving at a just figure, and certainly not exorbitant.

(President): We certainly do not want the figure we arrived at for the years 1953-54 to be regarded as beyond criticism, but other things being equal—or possibly other things being slightly unequal—we should like any decision to be what accountants would call reconciled with that earlier decision. It so happens that Mr. James' figures in PJ 16 for those two years are higher than the figure we reached. His figure for 1953 is £5.51m. and for 1954 £5.68m., the average would work out at £5.6m., which is £0.2m. higher than our utterance.

(Mr. Fay): Yes. That leaves me in about the right place, does it not?

(President): I was going to say you cannot, in fact, deduct £0.2m. on the straight line method, straight down, because of course, he is calculating interest also. But, roughly speaking, it would bring him down to £5.9m. plus, something like that in 1957, and in 1958 £5.9m. plus a little more.

(Mr. Fay): Yes. Of course, Sir, that is not very different from what Mr. Lawson arrived at. Mr. Lawson arrives, in the Exhibit which was put in this morning, at Central Charges in 1958 of £5.82m. and in 1959 of £5.88m. and in 1960 of £6.07m., but by so doing he is depressing his figures by two matters which I would like to mention to the Tribunal as the reconciliation between his approach and Mr. James' specific approach. The differences between Mr. Lawson's results and Mr. James' results, apart from some very small matters which do not affect the result, are two: In the first place Mr. Lawson has given to London Transport the benefit of the, I think it is, £2.8m. windfall from income tax recovery, which affects his figure for interest on surplus funds. The other cause of the variation is the fact that Mr. Lawson has taken the interest figure for the interest calculation thereon at 3 per cent., whereas Mr. James has taken it at the rate ruling at the time, either 3, or 4, or 5 per cent. as the case might be. Between them those two factors reconcile the two tables. An accountant would not agree with that statement because you find other small matters such as you mentioned last March. Mr. James put in some miscellaneous receipts against himself which were formerly

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[Continued]

shown in the London Transport Accounts, being car-parking receipts, and so on; but those are very minor matters.

(President): I think another figure I mentioned—whether that referred to Mr. Lawson's table or Mr. James I do not remember—was that in the earlier years there was no charge for freight rebates. I think it was on Mr. Lawson's table.

(Mr. Fay): Yes.

(President): I have not the least doubt myself, Mr. Fay—although I do not understand accounts—that one could justify at least two more tables of this sort leading to slightly different figures. If anyone were curious enough to look at some evidence given by Mr. Hill, I think for the Middlesex County Council, in November, 1951, where he then concerned himself with the specific approach, to calculate what was the amount of the capital burden falling on the Commission as successor of the London Passenger Transport Board, he would find there items of liability taken into the accounts which have not been taken into the Accounts by Mr. Lawson or by Mr. James.

(Mr. Fay): That is an exercise I for one have not done.

(President): Take away the volume which contains the evidence given by Mr. Hill in November, 1951, and look at page 442, and you will see the rendering of interest liabilities and the difference. It is a table which is difficult to find because it is set out in the course of his oral evidence. However, do not take me as suggesting that either Mr. James' or Mr. Lawson's tables exhaust the possibilities of the specific approach.

(Mr. Fay): No, Sir; I take it it offers many varieties. But the salient factor emerging at this Inquiry is this, is it not, that Mr. Lawson and Mr. James do produce the same result, except for the two points of difference which I have just mentioned, and they are set out very fairly, I think, in the memorandum which goes with the tables put in this morning. I do not know whether you have had an opportunity of looking at it. I certainly have not had the opportunity of studying it, but I do find in the memorandum, on page 3, paragraph 10, the two major points of difference set out in paragraphs (a) and (b) in terms which appear to me at first reading to be perfectly fair terms.

(President): I deprived myself of the pleasure of reading this memorandum preferring a grosser pleasure when we adjourned.

(Mr. Fay): I tried to combine the two. The result is I have probably digested neither.

(President): How are we to deal with this memorandum, Mr. Fay? One thing we do not want is to have this parade of memoranda; you making observations on the Middlesex memorandum and Middlesex making counter observations on your memorandum to their memorandum. Have your experts digested it sufficiently to be able to say that, as a matter of figures, they do not quarrel with the latest Middlesex memorandum?

(Mr. Fay): I have not been told there is anything which they can point to as an error. There are one or two matters I would like to mention on it and if any more matters are brought to my attention during the course of the afternoon I will relay them to you, but I would not want to put in a separate memorandum on this if I can help it.

(President): If there are any real inaccuracies—speaking in view of what I know goes on—it will be possible for the parties to correct them in an agreed letter. We must stop the flood of information, whether it is on imponderables, or a matter for the exercise of judgment, or anything else. The curtain must come down sometime.

(Mr. Fay): Middlesex were lucky in slipping this in just before the curtain descended.

(President): There were one or two points you were going to mention.

(Mr. Fay): I was only going to say that by and large those are the differences between the two specific approaches. As to taking the £2.8m. windfall, I do not think I need add to what I said to you last March upon that. I see nothing in what is here said to alter in any way what I said to you then, and I would ask you to re-read it instead of my reiterating it.

(President): We do not think much of that windfall point.

(Mr. Fay): In that case that is all the more reason for hurrying on.

The other difference is the taking of the interest at 3 per cent. in Mr. Lawson's table, whereas in PJ 16 it is taken at the rate prevailing at the time. That arises, as I understand it, from the different way in which the two accountants have dealt with what has been called the nest egg, the trust fund which came into the Commission's coffers via the London Passenger Transport Board. I think Mr. James—and I hope I will be corrected if I get this wrong—in his table has dealt with that in this way: He has not taken in the nest egg as a surplus fund from 1948, but he has brought down less interest on capital because he does not regard the surplus fund as having come into London Transport and, therefore, the interest payable each year is diminished by the interest attributable to that sum.

(President): Or, putting it the other way, he has deducted the trust fund, calculated by him at £38.6m., from the £128m. of Transport Stock which the Commission issued.

(Mr. Fay): Yes. He starts off without any nest egg and with a smaller sum of interest.

(President): A smaller interest liability.

(Mr. Fay): Yes, a smaller sum to charge.

Mr. Lawson starts off with a higher interest charge but with the nest egg. So far as the capital is concerned, the result is the same, but the effect on the interest is that Mr. Lawson regards the nest egg as being there locked up in London Transport's coffers ready to be drawn upon whenever capital is needed, and when capital is needed, then Mr. Lawson draws upon it and does not have to borrow and, therefore, does not have to borrow at the prevailing rates of interest.

Mr. James, on the other hand, says: I have no nest egg. I need capital and, therefore, I have to borrow it, and, of course, that is what did happen because the money did, in fact, go into the Commission's funds and the Commission was very soon borrowing fresh money and borrowing it at the prevailing rates of interest. In my submission, it is right, because of that, to approach the interest on capital expenditure in the way in which Mr. James has done in columns 5, 6 and 7 of PJ 16 and find what is the amount borrowed at the rate at which it was, in fact, borrowed, and not notionally to borrow it from a nest egg which was, in fact, not there. What Mr. Lawson is doing is another of his hypothetical exercises of unravelling the accounts and putting them together again in the way in which he thinks the matter should have been dealt with. It was not dealt with in Mr. Lawson's way, and if one is going to adopt Mr. Lawson's approach one has to say it should have been dealt with in that way; that nest egg should have remained with London Transport, and London Transport should have had it in its safe, or in its bank, ready to draw upon when they wanted capital.

(President): Of course, one is forced, in a way, to dodge backwards and forwards between the land of make-believe and the land of fact in pursuing these inquiries. Mr. James' table itself is open to the same criticism that it departs from what happened in fact, is it not?

(Mr. Fay): Oh, yes, Sir.

(President): You cannot avoid it.

(Mr. Fay): I am not saying because it was dealt with in the accounts in that way it is right. I am saying because the trust fund went to the Commission at the beginning and not to the London Transport Executive and relieved the Commission's capital requirements and not London Transport's own requirements, and if it can be said against me that ought not to have happened, although no doubt it did happen, then the argument for Mr. Lawson's table would be supported. It may be that in deciding between these two views what you have to come down to is a decision on whether the nest egg should have remained London Transport's nest egg, and in my submission it should not. We have dealt with it in the accounts by not seeking to charge interest upon it as an acquired asset, and it is only upon this question of what is the rate of interest for subsequent borrowings that the matter affects the result; but it does affect it by a

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[Continued]

sum which is a considerable part of the difference between the two tables.

In my submission, Mr. James', in both cases, is the better and fairer approach and his approach is the one to follow. If that is so, then it appears that, looking at Appendix C, if one applies the mathematical or specific approach, the Central Charges are those set out in column 15 for the years with which we are now concerned. They are, in fact, higher than the figures we are seeking to rely on, because we started in the memorandum, as you know—perhaps illogically, but certainly consistently with our previous submissions—with the sum, arrived at by judgment, of £6m., and the amount for 1959 is £6.1m. Mr. James' figures come out at £0.2m. higher, which, perhaps, is a not insignificant connection with what you were saying just now, that it is higher than the figure which we are propounding by almost exactly the amount by which Mr. James was higher than the figure of £5.4m. found by the Tribunal in 1953.

(Mr. Poole): You are relying on the figures at the top of page 3?

(Mr. Fay): Yes; I do not need to go beyond them.

(Mr. Poole): Throughout; for the whole of "a" and "b"?

(Mr. Fay): Yes. "a" and "b" are mathematical exercises on two different bases; one on the £6m. which was propounded in 1958, and the other upon Mr. James' purely specific approach, and for the justification of that which the Commission are putting forward in the memorandum they need not go beyond that because "a", although it produces a lower figure, justifies it. But I am not saying that the Commission regard "b" as being an inadmissible exercise. It is, in my submission, a proper exercise and one which provides a valuable test and a test which may well show that once again the Commission has pitched its requirements rather modestly.

(President): We shall have to get this contribution for London Transport fixed by an Act of Parliament for a period of some years!

(Mr. Fay): That would be a great blow to the Bar if that were to happen, Sir.

I am asked to say that in what I have said about Mr. Lawson's revised table and the Memorandum which Middlesex put in just before the adjournment, and in anything which I may say hereafter, the Commission had not addressed their minds to anything beyond the end of 1961. There is a lot in this Memorandum, naturally enough, about the position after 1961, but we have not considered it, and if we do not criticise it you will not take it that we may not have some criticism at a future date.

That being what I have to say about the Central Charges, I would submit that on all the facts before you in this case, and applying all the tests which are available, and paying, perhaps, particular attention to the specific approach in this instance because we are trying to find a figure year by year, the figures which the Commission propound in the representations are fully made out. If that is so, Sir, then there is no other difference, as I understand it, between my friends of the Opposition and myself on the global revenue requirement. There was some discussion this morning as to whether one ought to take into account the increase in working expenses by reason of increased historic-cost depreciation, but, as I understand it, you said, and it was accepted, that you propose to take that into account, and, therefore, Mr. Hill's table SWH 9 is the appropriate one and we are right in putting in our tables on page 3 of the representa-

tions the additional depreciation in 1960 and 1961 at £0.2m. and £0.6m. respectively.

If that is so, then once one has got over the Central Charges problem, the only problem is: How is the reduced yield to be obtained? What is to be cut from the Scheme in order to cut down this yield from the amount originally proposed to the amount now required? Again, in my submission, the representations lodged go into considerable detail as to the proposal for raising the money by the season ticket or early morning half-way scales for the first year and a bit, and the obtaining of the rest of the concession, relief or deduction by retaining the 4d. fare for the mile-and-a-half distance, which is worth £1.1m. per annum.

There has not been, as I understand it, any argument addressed to you this morning based upon the view that the Commission's global financial requirement is right, but their way of reaching it is wrong. You have been asked to say that the early mornings should go on up to the end of 1960 and that the reduced season-ticket scales should go on after that time, but it has not been suggested to you how the balance should be made up. In my submission, the way in which the Commission has proposed to raise the money required is a fair way of spreading it amongst the various classes of traveller, bearing in mind that the season-ticket holders have had what the Commission certainly regard as, and I suggest to the Tribunal as, an excessively low charge for many years, and that you have already decided that early mornings should at some stage cease to be obligatory.

I do not think there is any more that I need say upon that side of the case, and I have no notes to say anything else upon it. The difference, as it seems to me, which has arisen today is almost entirely upon the vexed question of Central Charges, and, in my submission, the proposals which the Commission have made are vested with the modesty with which their proposals usually are vested. I should make it clear, I think, that, as will be seen from the transcript, the £6m. arrived at in the way we have been discussing was arrived at as a figure for 1958, because it was upon the figures for 1958 and the projection into 1959 that those figures were arrived at originally, and it was right, as I submit, that for 1959 one should pay attention to the fact that during the year there was the further money raised, and, therefore, by the end of 1959 the Central Charge would be higher. The effect of Mr. Hill's Table SWH 9 is that if he were proposing to do the calculation, whether he took 4 per cent. or 5 per cent. in line 19 of his table, the answer would come out at £0.1m., which is the figure at which the Commission have arrived and added to the £6m. for 1959.

Perhaps I should say a word about the present year, 1959. As you know, the approach in the representations is not to deal specifically with it, but to obtain the revenue which you in your Interim Decision have indicated should be obtained by applying to it the provisions which are to ensure throughout the whole of 1960, and if those provisions are applied at the appropriate date, then they ought to yield the sum which is required in 1959.

I conclude by asking that we may have the authority which we seek to charge the fares which are required in order to place London Transport in a condition of financial health without undue delay. With those words, Sir, I part from you on what is, perhaps, the shortest appearance on record in one of these Inquiries.

(President): Very well. You shall have a decision with the shortest possible delay. I do not think we shall summon any further Public Inquiry, we will do it in the form of a document. I am very much obliged to everybody for their brevity.

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[Continued]

EXHIBITS LODGED BY
MIDDLESEX COUNTY COUNCIL

Notes on revised Exhibit WHL 1

This exhibit has been revised on the basis indicated by the President (see page 447 of transcript, top of right-hand column).

In addition, the net working receipts and the capital issued in respect of "transferred lines" have been brought into line with those on exhibit PJ 16.

This revised exhibit has been drafted so as to set out the figures of "central charges" attributable to London Transport on Mr. Lawson's basis.

A reconciliation of the increased deficit shown in the revised exhibit by comparison with the original exhibit is set out hereunder—

	Increase in Deficit	
	£m.	£m.
Increase in Net Working Receipts—		
Increased from £38.9m. to £39.5m. as shown on PJ 16 (column 11)	—0.6	
Elimination of Income from Surplus Lands	2.6	
Elimination of Maintenance Equalisation charges	5.1	
Reduction of Interest on B.T. Stock—		
Decrease in respect of capital relating to surplus lands (10 years at £0.1m. a year)	—1.0	
Less: Increase in respect of "transferred lines" brought in at £12.2m. instead of £10.0m. (10 years at 3 per cent on £2.2m.)	0.7	
Reduction of Interest on Surplus Funds ...	—0.3	
Increase in Income Tax recovery—	0.6	
Now taken as £2.8m. instead of £1.0m....	—1.8	
Increase in Deficit—		
Revised Deficit	£8.5m.	
Original Deficit	£2.9m.	
	5.6	

NOTES

1. The revision of the nominal amount of B.T. Stock as a result of eliminating the book value of surplus lands and of increasing the book value of "transferred lines" affects the interest on B.T. Stock as stated above. The effect on the amount charged as provision for redemption of B.T. Stock and on the income from investments in respect of the B.T. Stocks Redemption Fund is negligible.

2. The revised calculation of the Income Tax recovery estimated to be attributable to London Transport is as follows (deficits shown as minus):—

	B.T.C. and Subsidiaries combined	London Transport	Other Activities
	£m.	£m.	£m.
1948	—4.7	3.3	—8.0
1949	—20.8	1.0	—21.8
1950	—14.1	—1.4	—12.7
1951	0.1	—4.8	4.9
1952	8.0	—2.8	10.8
1953	4.2	—3.2	7.4
1954	—11.9	—1.4	—10.5
	—39.2	—9.3	—29.9

Attributable to London Transport:—

9.3
— × £12m. = £2.8m.
39.2

A comparison of the revised exhibit with exhibit PJ 16 is set out hereunder—

	WHL 1 (revised)		PJ 16	
	£m.	£m.	£m.	£m.
Net Operating Receipts (including miscellaneous receipts)	39.5		39.47	
Carried forward	39.5		39.47	

	WHL 1 (revised)		PJ 16	
	£m.	£m.	£m.	£m.
Brought forward	39.5		39.47	
Deduct:				
Interest on—				
(a) B.T. Stock	44.0			
L.E.T.F.C.	5.5			
Surplus Funds	—3.6			
	45.9			
(b) Capital Obligations			34.46	
Net capital expenditure			10.90	
Accumulated deficit			1.74	
			47.10	
Central Expenses—				
(a) Central administration expenses	1.2			
Amortisation of discount	0.2			
Other "special items"	0.2			
Provision for redemption of B.T. Stock	3.7			
Income from investments	—0.4			
	4.9			
(b) Central expenses			5.26	
Total Central Charges	50.8		52.36	
Income Tax recovery	—11.3		—12.89	
	2.8			
Accumulated Deficit	—8.5		—12.89	

Note on comparison of charges for interest—

Mr. James does not arrive at the charge for interest in the same way as Mr. Lawson, for example he eliminates "surplus funds" by deducting the Trust Fund moneys at vesting date from the initial B.T. Stock and also he treats the "transferred lines" as capital expenditure at the beginning of the first year instead of as expenditure met by the issue of B.T. Stock.

The interest charge per PJ 16 exceeds that per the revised WHL 1 by £1.2m. This increase may be approximately accounted for as follows:—

	£m.	£m.
Increase due to Mr. James not taking credit for Income Tax recovery (£2.8m. at 3 per cent for 3½ years)		0.3
Increase due to Mr. James charging interest at 4 per cent on borrowings from 1952 onwards while Mr. Lawson charged 3 per cent throughout—		
(i) on capital expenditure—		
1 per cent on total of cumulative figures for 1952–1957 per PJ 16, column 6 (1 per cent on £22.86m.)	0.2	
(ii) on accumulated deficit—		
1 per cent on total of accumulated deficit for 1952–1957 per PJ 16, column 17 (1 per cent on £59.38m.)	0.6	
		0.8
Increase due to various minor differences, including the effect of compound interest		0.1
		1.2

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[Continued]

Notes on revised exhibit WHL 2

The revised exhibit has been redrafted so as to set out "net capital expenditure" (Item 9).

The surplus funds at the end of 1957 as shown in this revised exhibit may be reconciled with those shown in the original exhibit as follows:—

	Decrease in Funds	
	£m.	£m.
Reduction in funds brought in as at the beginning of 1948, reduced from £40·2m. to £38·8m. (see note below)	1·4	
Increase in deficit on revision of exhibit WHL 1	5·6	
Less: Amount of increase due to eliminating the maintenance equalisation charges which do not affect surplus funds as calculated on original WHL 2	5·1	
Elimination in receipt corresponding to the movement on the book value of surplus lands (Item 10 of original WHL 2)	0·6	
Reduction in funds at end of 1957—		
Original balance	£7·3m.	
Revised balance	£4·8m.	
	2·5	

Surplus funds at 1st January, 1948, have been reduced to £38·8m. to bring them into line with the amount of Trust Fund moneys dealt with by Mr. James. On PJ 16, note 1 shows that interest on the net Trust Fund moneys is £1·16m., which is 3 per cent on £38·8m. The reduction from the figure of £40·2m. brought into the original WHL 2 is due to off-setting the L.M.S. Loan to the L.P.T.B. against the balance of Trust Fund moneys.

This has an effect on the net current assets at 1st January, 1948. After off-setting the L.M.S. loan as aforesaid, the net current assets amounted to £3·7m. According to a London Transport publication for 1957 the net current assets at 31st December, 1957, amounted to £1·1m., indicating a reduction of £2·6m. over the 10 years. This reduction has been ignored by both Mr. Lawson and Mr. James for convenience but it could be applied towards capital expenditure and deficits, correspondingly reducing the burden of interest. This point becomes more important if Mr. James's adjustment of the L.M.S. Loan is accepted.

Mr. Lawson has considered capital expenditure and deficits for 1948–1957 as being met out of surplus funds notionally available to London Transport. Mr. James has off-set Trust Fund monies against the initial capital obligations and regarded capital expenditure and deficits as being met out of new borrowings, at a higher rate of interest.

The reduction in surplus funds 1948–1957 per revised WHL 2 may be reconciled with the new borrowings per PJ 16, as follows:—

	£m.	£m.	£m.
Borrowings per PJ 16—			
For net capital expenditure	37·1		
Less:			
“Transferred lines” included therein	12·2		
For deficits		24·9	
		12·9	
		37·8	
Reduction of surplus funds per revised WHL 2—			
Funds at beginning of 1948		38·8	
Funds at end of 1957		4·8	
		34·0	
Excess of net capital expenditure and deficit per Mr. James over corresponding figures per Mr. Lawson			3·8
Accounted for as follows:—			
Excess of accumulated deficit per PJ 16 over that per WHL 1 (revised)—			
PJ 16		12·9	
WHL 1		8·5	
		4·4	
Less:			
Excess of “net capital expenditure” per WHL 2 (revised) over that per PJ 16—			
WHL 2 (revised)		24·8	
Add:			
Adjustments made by Mr. James in arriving at “net capital expenditure”—			
Maintenance expenditure charge to provision	5·8		
Less:			
Maintenance equalisation charges	5·1		
		0·7	
		25·5	
PJ 16 (adjusted for “transferred lines” as above)		24·9	
		0·6	
		3·8	

23 June, 1959]

[Continued]

EXHIBIT WHL 2—Revised

[illegible]

23 June, 1959]

[Continued]

REPRESENTATIONS AND TABLES LODGED BY THE BRITISH TRANSPORT COMMISSION

IN THE COURT OF THE TRANSPORT TRIBUNAL Transport Acts 1947 and 1953

IN THE MATTER of the application of the British Transport Commission (1958 No. 1) to confirm a British Transport Commission (Passenger) Charges Scheme

The British Transport Commission (hereinafter called "the Commission") make the following representations pursuant to paragraph 8 of the Interim Decision of the Transport Tribunal dated 8th May, 1959.

1. London Transport Executive's just contribution to central charges and the resulting revenue requirements.

Paragraph 6 of the Interim Decision refers to the just contribution to the central charges of the Commission to be made by the London Transport Executive (hereinafter called "London Transport") for the years 1959, 1960 and 1961, but does not give any monetary assessment of this contribution. The Commission's first observations are therefore directed to this matter and to the related question of the revenue requirements if the just contribution and the revenue margins referred to in the Interim Decision are to be achieved.

The Tribunal will recollect that, in their evidence, the Commission's witnesses stressed that various factors, other than capital invested, must be taken into account in assessing the London Transport contribution to central charges at any point in time or in varying the contribution as between one year and another. Several different bases for testing or assessing the contribution, and a variety of possible figures as to the amount of the contribution, were placed before the Tribunal on behalf of the Commission and the Objectors. The present observations are related to figures submitted by the Commission.

In their evidence in support of the draft Charges Scheme, the Commission submitted that, if approved, it would yield sufficient net receipts to provide a contribution to central charges of £6m. a year, assuming net receipts at the 1959 budgeted level, together with a margin of about £5m. for replacement and general reserves. The Commission indicated that, apart from unforeseen changes in the level of costs or traffic, the scheme was expected to remain in operation for several years, but their witnesses pointed out that, in the course of the next few years, the burden of depreciation and interest charges would increase year by year as the result of capital outlay to which London Transport were already committed or which was in immediate prospect.

The Tribunal's Interim Decision appears to contemplate a more precise approach to central charges than that adopted by the Commission and, after 1959, a specified margin for reserves of all kinds of £2.5m.

This approach requires the adoption of some kind of formula for the assessment of London Transport's just contribution to central charges in the short term and for the assessment of the additional net receipts required to achieve the revenue targets suggested in the Interim Decision.

Two such formulae can be derived from the figures submitted by the Commission in the course of the Hearing, the first derived from the Commission's main submission adjusted only for new investment, the second from Exhibit PJ.16 put in by the Commission on the nineteenth day of the Hearing and printed at page 436 of the Minutes of Evidence. The resulting calculations are given below.

(a) Based on Commission's main submission:—

	1959 £m.	1960 £m.	1961 £m.
Minimum contribution to central charges as adopted for the purpose of the 1959 budget (Exhibit PJ 11)	6.0	6.0	6.0
<i>Add:</i>			
Interest on net new capital outlay (Appendix A hereto)	0.1	0.3	0.7
Gross Central charges	6.1	6.3	6.7
Revenue margin (Tribunal's Interim Decision) paragraph 6 (2)	—	2.5	2.5
Total net receipts required	6.1	8.8	9.2

	1959 £m.	1960 £m.	1961 £m.
<i>Deduct:</i>			
Net receipts at existing charges as in 1959 budget (Exhibit PJ 11) ...	5.0	5.0	5.0

<i>Less:</i>			
Additional working expenses for depreciation, after deducting savings on revenue account resulting from new capital outlay (Appendix B hereto)	—	0.2	0.6
Available net receipts	5.0	4.8	4.4
Additional revenue requirement	1.1*	4.0	4.8

* The requirement in 1959 is "at least" this figure—see paragraph 6 (1) of Tribunal's Interim Decision.

(b) Based on a projection of Exhibit PJ 16 (Appendix C hereto):—

	1959 £m.	1960 £m.	1961 £m.
Central charges (Appendix C hereto)	6.3	6.5	7.0
Revenue margin—Tribunal's Interim Decision	—	2.5	2.5
Total net receipts required	6.3	9.0	9.5

<i>Deduct:</i>			
Net receipts at existing charges, as in 1959 budget (Exhibit PJ 11) ...	5.0	5.0	5.0

<i>Less:</i>			
Additional working expenses for depreciation, after deducting savings on revenue account, resulting from new capital outlay (Appendix B hereto)	—	0.2	0.6
Available net receipts	5.0	4.8	4.4
Additional revenue requirement	1.3*	4.2	5.1

* The requirement is "at least" this figure—see paragraph 6 (1) of Tribunal's Interim Decision.

Both the foregoing calculations produce very similar results, the small differences in total net receipts required and in additional revenue requirements arising mainly from the adoption of a higher starting figure of central charges in the second set of calculations. Neither calculation makes any allowance for changes in the levels of receipts or costs which have occurred since the original submission was made or which may occur before the end of 1961. In particular, no allowance is made, on the one hand, for the partial relief from Licensed Vehicle Duty recently granted or, on the other hand, for certain increases in cost already effective or for the continuing shortfall in traffic receipts in relation to the 1959 budget estimates. Taking all these factors together no net improvement in the budgeted net receipts can be expected; indeed the reverse is indicated.

On the basis of the foregoing figures the Commission submit that London Transport's just contribution to central charges should not be less than £6.1m. in 1959, £6.3m. in 1960 and £6.7m. in 1961, and that, after allowing for the revenue margins provided for in the Tribunal's Interim Decision and taking account of changes in depreciation charges and of certain savings in working expenses, the additional revenue requirements, over and above those assuming net receipts at the 1959 budget level, are not less than £1.1m. in 1959, £4.0m. in 1960 and £4.8m. in 1961.

All these figures are minima, based on the lower figures brought out by calculation (a) above. If the alternative method used in calculation (b) is adopted, the figures of central charges and of revenue requirements need to be increased by £0.2m. in each of the years 1959 and 1960 and by £0.3m. in 1961.

The Tribunal will be aware of the extreme difficulty of devising a practicable scale of charges which will precisely achieve a given revenue target, but, in framing the charges proposals for London Transport set out later in these representations, the Commission have endeavoured to work within the limits set by the foregoing calculations.

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[Continued]

2. Revision of maximum fares to reduce yield to London Transport

(a) 1960 and 1961

The annual yield to London Transport from the draft Scheme as lodged was estimated at £5.7m. on the budget for 1959 (Q.509 at p. 70 of the Minutes of Proceedings) on the assumption that the maximum scales were fully implemented. In the light of later information now available this estimate should be adjusted to £5.8m. The additional net revenue requirement of London Transport for 1960 and 1961, on the bases used in paragraph 1 hereof, is at least £4.0m. and £4.8m. respectively, i.e. less by £1.8m. and £1.0m. respectively than the aforesaid revised annual yield of £5.8m.

In order to give effect to paragraph 6 of the Tribunal's Interim Decision it would appear that the scales of maximum fares applicable in the years 1960 and 1961 require to be revised so as to reduce the yield to London Transport from those scales.

(b) 1959

The additional net revenue requirement for London Transport for 1959, as shown in paragraph 1 hereof, cannot be less than £1.1m. It is, therefore, submitted that, owing to the time which must necessarily elapse before it will be possible to introduce increased fares on London Transport's services, the yield in 1959 from any increases appropriate to the financial circumstances of 1960 would comply with the Tribunal's intentions expressed in paragraph 6 (1) of the Tribunal's Interim Decision.

3. In considering the ways in which the necessary alterations to the maximum fares in the draft Scheme could be effected the Commission wish to place the following views on record:—

- (a) In view of the Tribunal's decision, which the Commission welcome, that Early Morning fares should ultimately cease to be obligatory, the Commission are strongly of opinion that any scales of such fares temporarily introduced should decrease the gap between them and Ordinary fares.
- (b) Similarly the Commission are strongly of opinion that new maximum Season Ticket scales should not increase the discount compared with Ordinary fares but should, if possible, reduce it.
- (c) Furthermore the Commission regard it as important that fares increases should be, as far as possible, borne by all categories of passengers.

The Commission therefore submit that in giving effect to paragraph 6 of the Tribunal's Interim Decision the scales of maximum fares should be altered in such a way as not to prevent the necessary additional revenue for London Transport from being obtained by appropriate increases in all three such categories of fares.

It is proposed in the following paragraphs to submit, in the light of the foregoing, how the scales of maximum fares in the draft Scheme should be varied for the years 1960 (including the remainder of 1959) and 1961 to give effect to paragraph 6 of the Tribunal's Interim Decision.

4. Early Morning Fares in London

It is the Commission's desire eventually to abolish the general availability of Early Morning fares. In the meantime, in order progressively to narrow the gap between these fares and Ordinary fares, the Commission desire to be able to charge Early Morning fares higher than the maxima at present in force. The Scales set out in Appendix D will enable this to be done.

The Commission therefore submit that the maximum Early Morning second class return fares on the London Lines and the Early Morning single fares on the road services of London Transport, set out in Parts I and II respectively of Appendix D, should be prescribed by the Scheme and should operate from the coming into force of the Scheme until 31st December 1960, upon which latter date the Commission's obligation to charge such fares should cease.

The estimated net yield to London Transport for 1960 of the scales of Early Morning return and single fares, set out in Appendix D hereto, is £0.5m (i.e. a reduction of £0.3 m from the yield of £0.8 arising from the abolition of Early Morning fares as envisaged in the draft Scheme).

5. Maximum Season Ticket Scale in London

The draft Scheme as lodged contains in the Fourth Schedule a maximum scale for Season Tickets nationally applicable.

So far as the London Area is concerned the Commission submit that, in order further to reduce the yield to London Transport from the Scheme in 1960, the scale of Season Ticket rates, already supplied to the Tribunal by the Commission in compliance with paragraph 7 of the Tribunal's Interim Decision, should be introduced into the Scheme as a separate maximum scale of Season Tickets applicable to the London Lines. This scale should only apply until 31st December 1960 and thereafter the scale in the draft Scheme as lodged should apply.

The net yield to London Transport in 1960, if that scale was applied in full, would be £0.3m (i.e. a reduction of £0.3 m from the yield to London Transport and of £0.6 from the maximum scale in the Fourth Schedule to the draft Scheme).

6. Maximum Ordinary fares of London Transport

If the Tribunal accept the foregoing submissions of the Commission regarding maximum Early Morning fares and the maximum Season Ticket scale (the combined effect of which is to reduce London Transport's yield by £0.6m. in 1960 but to have no effect in 1961) it becomes necessary further to reduce London Transport's yield by about £1m. in each of the years 1960 and 1961.

The Commission submit that such a reduction can be best achieved by retaining the existing maximum ordinary single fare of 4d. for 1½ miles by making the necessary entry in the Second and Fifth Schedules to the draft Scheme. This alteration to the draft Scheme should only apply until 31st December, 1961. The annual net yield to London Transport, if the scales in the Second and Fifth Schedules were revised as aforesaid, would be £1.1m. less than the estimated net annual yield to London Transport from the maximum Ordinary fares scales in the draft Scheme.

7. Summary of effect on the yield to London Transport of adopting the proposed revised scales of maximum charges

The effect on the net annual yield to London Transport of fully implementing the maximum fares in the draft Scheme as altered in accordance with the foregoing submissions may be summarised as follows:—

	1960	1961
	£m	£m
Net annual yield from draft Scheme	5.8	5.8
Reduction in yield from—		
Ordinary fares	1.1	1.1
Early Morning Fares	0.3	
Season Tickets	0.3	
	1.7	1.1
Revised annual yield	4.1	4.7

In the view of the Commission the revised scales are the best that can be devised in the circumstances and give the closest practicable yield to that required for those years by paragraph 6 (2) of the Tribunal's Interim Decision. The yield to London Transport in 1959 is unlikely to exceed £1.1m. and will not reach that figure unless early approval of the amended Scheme is given.

As regards 1962 and subsequent years, it is apparent that central charges and revenue charges for depreciation will continue to increase and there is no reason to suppose that these increases will be offset by reductions in working expenses or increased traffic; indeed the reverse is probable. In these circumstances the Commission consider that by 1962 the maximum charges sought by the draft Scheme as lodged will be needed. The Commission therefore submit that the maximum charges in the draft Scheme as lodged should apply on and after 1st January 1962.

The above-mentioned estimated yields necessarily proceed on the assumption that the increased charging provisions in the draft Scheme which have not been referred to in the Interim Decision are acceptable in principle to the Tribunal. Examples of such provisions are those as to children's fares and the power to London Transport

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[Continued]

to charge the fares stated in paragraph 7 of the draft Scheme on such of the lines of London Transport as are referred to in that paragraph.

8. British Railways

The Commission observe that the Tribunal intend to confirm the Commission's proposals as regards Ordinary fares on the lines of British Railways other than upon the London Tilbury & Southend Line and suggest that the maximum fares referred to in paragraph 3 of the Tribunal's Interim Decision should take effect on the date when the Scheme comes into force.

The Commission submit that as regards journeys on British Railways, other than upon the London Lines, they should, from the date the Scheme comes into force, be relieved of the obligation to issue Early Morning return tickets. They desire to be free at once to issue such tickets only where it is commercially justifiable.

The Commission also consider that, from the date the Scheme comes into force, the headroom for Season Tickets provided by the Fourth Schedule to the draft Scheme should apply to journeys on British Railways (otherwise than upon the London Lines) so as to enable the Commission properly to adjust the Season Ticket rates in relation to whatever Ordinary fares they may charge within the new maxima; otherwise the gap between the two categories of fares may be widened instead of narrowed as the Commission consider it should be. Accordingly the Commission further submit that, although it may be necessary to provide temporarily for a lower maximum Season Ticket scale applicable to the London Lines, the maximum Season Ticket scale in the Scheme as lodged should apply immediately to British Railways otherwise than upon the London Lines.

9. Summary of the Commission's proposals

The effect of the foregoing proposals can be summarised as follows:—

- (a) *Ordinary fares* on London Transport's Rail services (other than Queens Park Station to Watford Junction Station, Harrow-on-the-Hill Station to Aylesbury Station and the Watford and Chesham branches), the London Tilbury and Southend Lines and London Transport's Road services (other than London Coach Services, Inter-Station Omnibus Services and all-night road services).

The Second and Fifth Schedules to the draft Scheme altered by the insertion of a maximum fare of 4d. for 1½ miles, to apply until end of 1961. Thereafter Second and Fifth Schedules to the draft Scheme to apply.

- (b) *Early Morning Fares*

- (i) The scales in Appendix D to apply on London Transport's Road and Rail services and British Railways London Lines until end of 1960 only.
(ii) Scheme to contain no obligation to issue on British Railways (other than the London Lines).

- (c) *Season Tickets* ...

- (i) The scale supplied in compliance with the Tribunal's Interim Decision to apply to London Transport's Rail services and the London Lines of British Railways until 31st December, 1960. Thereafter the scale in Fourth Schedule to the draft Scheme to apply.
(ii) Scale in Fourth Schedule to the draft Scheme as lodged to apply to British Railways other than London Lines when Scheme comes into force.

10. Confirmation of Scheme

The Commission urge that the Tribunal should give their final decision upon the draft Scheme as soon as possible.

2nd June, 1959.

APPENDIX A

LONDON TRANSPORT EXECUTIVE

NET CAPITAL OUTLAY AND INTERNAL FINANCE 1959-61, ADDITIONAL BORROWINGS REQUIRED, AND INTEREST CHARGES THEREON

	1959 £m.	1960 £m.	1961 £m.
Gross capital outlay (Q. 2796—page 204 of Minutes of Evidence)	7.4	12.6	16.9*
Deduct: Realisations from sale or scrap	1.0	0.5	0.5
Net capital outlay	6.4	12.1	16.4
Deduct: Internal finance—			
Depreciation provisions	3.5	3.8	4.3
Maintenance equalisation expenditure in excess of revenue provision	— .7	— .7	— .2
Revenue margin (Interim Decision—paragraph 6 (2))	—	2.5	2.5
Net internal finance	2.8	5.6	6.6
Balance to be financed by borrowing	3.6	6.5	9.8
Interest on borrowing (cumulative figures), assuming that each year's borrowing will bear interest at 5 per cent starting from the middle of that year ... ..	.1	.3	.7

* Quoted inaccurately as £16.8m. in Q. 2796.

APPENDIX B

ADDITIONAL SUMS CHARGEABLE AS WORKING EXPENSES IN RESPECT OF DEPRECIATION ON NEW ASSETS (AFTER ALLOWING FOR DEPRECIATION SAVED ON ASSETS DISPLACED) LESS NET SAVINGS PRODUCED BY THE NEW ASSETS

	1959 £m.	1960 £m.	1961 £m.
Net increase in depreciation charges beyond the amount allowed in the 1959 budget, after taking account (where appropriate) of the longer effective life expected from certain new assets compared with those replaced	—	.3	.8
Savings (other than those due to longer life, allowed for above) and additional income produced by new works—say	—	— .1	— .2
Net increase in working expenses	—	.2	.6

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[Continued]

APPENDIX C
ASSESSMENT OF MINIMUM CONTRIBUTION TO CENTRAL CHARGES, ASSUMING LONDON TRANSPORT
TO BE TREATED AS A SEPARATE UNDERTAKING
EXCLUDING SURPLUS LANDS

Year	Interest on Capital Expenditure							Revenue Account			Central Charges				Surplus(+) or deficit (-) for year or deficit (-) at year end (Col. 15)	
	Interest on capital obligations	Gross expenditure less realisations	Financed from depreciation provisions and other internal sources	Net expenditure	Cumulative total bearing interest at rates indicated			Interest	Net Revenue	Miscellaneous receipts	Total for year	Interest on capital obligations and expenditure (Col. 12) plus Col. 8)	Share (10 per cent.) of capital expenses of Commission	Interest on accumulated surplus (-) or deficit (+)		Total Central Charges
					3 per cent.	4 per cent.	5 per cent.									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Total 1948-57 (PJ 16)	34.46	72.38	35.26	37.12	38.19	-1.07	—	10.90	38.85	.62	39.47	45.36	5.26	+1.74	52.36	-12.89
1958 ...	3.81	1.10	3.59	-2.49	38.19	-1.07	-2.49	1.04	1.80	—	1.80	4.85	.70	+ .61	6.16	-17.25
1959 ...	3.81	6.40	2.80	3.60	38.19	-1.07	1.11	1.07	6.30	—	6.30	4.88	.70	+ .72	6.30	—
1960 ...	3.81	12.10	3.10	9.00	38.19	-1.07	10.11	1.38	9.04	—	9.04	5.19	.70	+ .65	6.54	-14.75
1961 ...	3.81	16.40	4.10	12.30	38.19	-1.07	22.41	1.91	9.45	—	9.45	5.72	.70	+ .53	6.95	-12.25

NOTES

(1) This table is a continuation of Exhibit PJ 16 (page 436 of the Minutes of Evidence) and the notes on that Exhibit, except in so far as they relate to earlier years only, apply to the new figures.

(2) The table starts with the 1948-57 total which appears towards the end of Exhibit PJ 16. The figures used for 1958 are the same estimates as were included in Exhibit PJ 16. The figures for 1959 to 1961 are the same as those used in the original table, but the general principle of PJ 16, revenue margins have been applied in reducing accumulated deficits instead of being deducted from capital outlay. This different treatment does not alter the final net result. 5 per cent. interest is assumed for the years 1958 to 1961 inclusive.

(3) It has been assumed, for the purpose of this statement, that sufficient net revenue will be earned in 1959 to meet working expenses and to provide a calculated contribution of £6.3m. to central charges and that in the years 1960 and 1961 the net revenue will be sufficient to meet working expenses, together with the calculated contribution to central charges and a margin of £2.5m. in each year.

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[Continued]

APPENDIX D

PART I

LONDON LINES

MAXIMUM EARLY MORNING SECOND-CLASS
RETURN FARES

Miles	Fares	Miles	Fares
6	s. d.	33	s. d.
7	2 1	34	5 10
8	2 3	35	5 11
—	2 5	36	6 0
9	—	37	6 1
10	2 7	38	6 3
11	2 9	39	6 4
12	2 11	40	6 5
13	3 1	41	6 6
14	3 3	42	6 8
15	3 5	43	6 9
16	3 7	44	6 10
17	3 9	45	6 11
18	3 11	46	7 1
19	4 1	47	7 2
20	4 3	48	7 3
21	4 5	49	7 4
22	4 6	50	7 6
23	4 8	51	7 7
24	4 10	52	7 8
25	4 11	53	7 9
26	5 0	54	7 11
27	5 1	55	8 0
28	5 2	56	8 1
29	5 3	57	8 2
30	5 4	58	8 4
31	5 5	59	8 5
32	5 7	60	8 6
	5 8		8 7

PART II

LONDON TRANSPORT EXECUTIVE ROAD SERVICES
WITHIN THE LONDON SPECIAL AREA*(Other than the London Coach Services, Inter-Station Omnibus
Services and All-Night Road Services)*

MAXIMUM EARLY MORNING SINGLE FARES

Miles	Fare Stages	Fares
6	12	s. d.
		1 0
7	14	1 0
8	16	1 0
9	18	1 0
10	20	1 0

IN THE COURT OF THE TRANSPORT TRIBUNAL

Transport Acts, 1947 and 1953

In the matter of the application of the British Transport Commission (1958 No. 1) to confirm
a British Transport Commission (Passenger) Charges SchemeSCALE OF MAXIMUM SECOND-CLASS SEASON TICKET RATES FOR DISTANCES UP TO 150 MILES LODGED WITH THE TRANSPORT
TRIBUNAL IN ACCORDANCE WITH PARAGRAPH 7 OF THE INTERIM DECISION OF THE TRANSPORT TRIBUNAL DATED 8TH MAY,
1959.

Miles	1 Week	1 Month	3 Months	6 Months	12 Months
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1	5 6	1 0 0	2 14 0	5 8 0	10 16 0
2	7 0	1 5 0	3 7 6	6 15 0	13 10 0
3	8 3	1 9 6	3 19 9	7 19 6	15 19 0
4	9 6	1 14 0	4 12 0	9 4 0	18 8 0
5	10 9	1 18 6	5 4 0	10 8 0	20 16 0
6	12 0	2 3 0	5 16 3	11 12 6	23 5 0
7	13 3	2 7 6	6 8 3	12 16 6	25 13 0
8	14 6	2 12 0	7 0 6	14 1 0	28 2 0
9	15 6	2 16 3	7 12 0	15 4 0	30 8 0
10	16 9	3 0 6	8 3 6	16 7 0	32 14 0
11	17 9	3 4 3	8 13 6	17 7 0	34 14 0
12	18 9	3 7 9	9 3 0	18 6 0	36 12 0
13	19 9	3 11 3	9 12 6	19 5 0	38 10 0
14	1 0 9	3 14 6	10 2 0	20 4 0	40 8 0
15	1 1 9	3 18 3	10 11 6	21 3 0	42 6 0
16	1 2 6	4 1 9	11 0 9	22 1 6	44 3 0
17	1 3 6	4 5 3	11 10 3	23 0 6	46 1 0
18	1 4 6	4 8 9	11 19 9	23 19 6	47 19 0
19	1 5 6	4 12 3	12 9 3	24 18 6	49 17 0
20	1 6 6	4 15 6	12 18 0	25 16 0	51 12 0
21	1 7 3	4 18 9	13 6 9	26 13 6	53 7 0
22	1 8 0	5 1 9	13 14 9	27 9 6	54 19 0
23	1 9 0	5 4 9	14 3 0	28 6 0	56 12 0
24	1 9 9	5 7 9	14 11 0	29 2 0	58 4 0
25	1 10 6	5 10 6	14 18 6	29 17 0	59 14 0

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[Continued]

Miles	1 Week	1 Month	3 Months	6 Months	12 Months
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
26	1 11 3	5 13 0	15 5 3	30 10 6	61 1 0
27	1 12 0	5 15 6	15 12 0	31 4 0	62 8 0
28	1 12 6	5 18 0	15 18 9	31 17 6	63 15 0
29	1 13 3	6 0 6	16 5 6	32 11 0	65 2 0
30	1 14 0	6 3 0	16 12 3	33 4 6	66 9 0
31	1 14 9	6 5 6	16 19 0	33 18 0	67 16 0
32	1 15 3	6 8 0	17 5 9	34 11 6	69 3 0
33	1 16 0	6 10 6	17 12 6	35 5 0	70 10 0
34	1 16 9	6 13 0	17 19 3	35 18 6	71 17 0
35	1 17 6	6 15 6	18 6 0	36 12 0	73 4 0
36	1 18 0	6 18 0	18 12 9	37 5 6	74 11 0
37	1 18 9	7 0 6	18 19 6	37 19 0	75 18 0
38	1 19 6	7 3 3	19 7 0	38 14 0	77 8 0
39	2 0 3	7 5 6	19 13 0	39 6 0	78 12 0
40	2 0 9	7 8 0	19 19 9	39 19 6	79 19 0
41	2 1 6	7 10 6	20 6 6	40 13 0	81 6 0
42	2 2 6	7 12 9	20 12 6	41 5 0	82 10 0
43	2 3 6	7 15 3	20 19 3	41 18 6	83 17 0
44	2 4 6	7 17 6	21 5 3	42 10 6	85 1 0
45	2 5 6	8 0 0	21 12 0	43 4 0	86 8 0
46	2 6 6	8 2 3	21 18 3	43 16 6	87 13 0
47	2 7 6	8 4 9	22 5 0	44 10 0	89 0 0
48	2 8 6	8 7 0	22 11 0	45 2 0	90 4 0
49	2 9 6	8 9 6	22 17 9	45 15 6	91 11 0
50	2 10 6	8 11 9	23 3 9	46 7 6	92 15 0
51	2 11 6	8 14 0	23 10 0	47 0 0	94 0 0
52	2 12 6	8 16 0	23 15 3	47 10 6	95 1 0
53	2 13 6	8 18 3	24 1 6	48 3 0	96 6 0
54	2 14 6	9 0 3	24 6 9	48 13 6	97 7 0
55	2 15 6	9 2 6	24 12 9	49 5 6	98 11 0
56	2 16 6	9 4 6	24 18 3	49 16 6	99 13 0
57	2 17 6	9 6 9	25 4 3	50 8 6	100 17 0
58	2 18 6	9 8 9	25 9 9	50 19 6	101 19 0
59	2 19 6	9 11 0	25 15 9	51 11 6	103 3 0
60	3 0 6	9 13 0	26 1 3	52 2 6	104 5 0
61	3 1 6	9 15 3	26 7 3	52 14 6	105 9 0
62	3 2 6	9 17 3	26 12 9	53 5 6	106 11 0
63	3 3 6	9 19 6	26 18 9	53 17 6	107 15 0
64	3 4 6	10 1 6	27 4 3	54 8 6	108 17 0
65	3 5 6	10 3 9	27 10 3	55 0 6	110 1 0
66	3 6 6	10 5 9	27 15 9	55 11 6	111 3 0
67	3 7 6	10 8 0	28 1 9	56 3 6	112 7 0
68	3 8 6	10 10 0	28 0 0	56 14 0	113 8 0
69	3 9 6	10 12 3	28 13 3	57 6 6	114 13 0
70	3 10 6	10 14 3	28 18 6	57 17 0	115 14 0
71	3 11 6	10 16 6	29 4 9	58 9 6	116 19 0
72	3 12 6	10 18 6	29 10 0	59 0 0	118 0 0
73	3 13 6	11 0 9	29 16 3	59 12 6	119 5 0
74	3 14 6	11 2 9	30 1 6	60 3 0	120 6 0
75	3 15 6	11 5 0	30 7 6	60 15 0	121 10 0
76		11 7 0	30 13 0	61 6 0	122 12 0
77		11 9 3	30 19 0	61 18 0	123 16 0
78		11 11 3	31 4 6	62 9 0	124 18 0
79		11 14 0	31 12 0	63 4 0	126 8 0
80		11 15 6	31 16 0	63 12 0	127 4 0
81		11 17 9	32 2 0	64 4 0	128 8 0
82		11 19 9	32 7 6	64 15 0	129 10 0
83		12 2 0	32 13 6	65 7 0	130 14 0
84		12 4 0	32 19 0	65 18 0	131 16 0
85		12 6 3	33 5 0	66 10 0	133 0 0
86		12 8 3	33 10 6	67 1 0	134 2 0
87		12 10 6	33 16 6	67 13 0	135 6 0
88		12 12 6	34 1 9	68 3 6	136 7 0
89		12 14 9	34 8 0	68 16 0	137 12 0
90		12 16 9	34 13 3	69 6 6	138 13 0
91		12 19 0	34 19 6	69 19 0	139 18 0
92		13 1 0	35 4 9	70 9 6	140 19 0
93		13 3 3	35 11 0	71 2 0	142 4 0
94		13 5 3	35 16 3	71 12 6	143 5 0
95		13 7 6	36 2 3	72 4 6	144 9 0
96		13 9 6	36 7 9	72 15 6	145 11 0
97		13 11 9	36 13 9	73 7 6	146 15 0
98		13 13 9	36 19 3	73 18 6	147 17 0
99		13 16 0	37 5 3	74 10 6	149 1 0
100		13 18 0	37 10 9	75 1 6	150 3 0

23 June, 1959]

[Continued]

Miles	1 Week	1 Month	3 Months	6 Months	12 Months
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
101		13 19 9	37 15 6	75 11 0	151 2 0
102		14 1 3	37 19 6	75 19 0	151 18 0
103		14 3 0	38 4 3	76 8 6	152 17 0
104		14 4 6	38 8 3	76 16 6	153 13 0
105		14 6 3	38 13 0	77 6 0	154 12 0
106		14 7 9	38 17 0	77 14 0	155 8 0
107		14 9 6	39 1 9	78 3 6	156 7 0
108		14 11 0	39 5 9	78 11 6	157 3 0
109		14 12 9	39 10 6	79 1 0	158 2 0
110		14 14 3	39 14 6	79 9 0	158 18 0
111		14 16 0	39 19 3	79 18 6	159 17 0
112		14 17 6	40 3 3	80 6 6	160 13 0
113		14 19 3	40 8 0	80 16 0	161 12 0
114		15 0 9	40 12 3	81 4 6	162 9 0
115		15 2 6	40 16 9	81 13 6	163 7 0
116		15 4 0	41 1 0	82 2 0	164 4 0
117		15 5 9	41 5 9	82 11 6	165 3 0
118		15 7 3	41 9 9	82 19 6	165 19 0
119		15 9 0	41 14 6	83 9 0	166 18 0
120		15 10 6	41 18 6	83 17 0	167 14 0
121		15 12 3	42 3 3	84 6 6	168 13 0
122		15 13 9	42 7 3	84 14 6	169 9 0
123		15 15 6	42 12 0	85 4 0	170 8 0
124		15 17 0	42 16 0	85 12 0	171 4 0
125		15 18 9	43 0 9	86 1 6	172 3 0
126		16 0 3	43 4 9	86 9 6	172 19 0
127		16 2 0	43 9 6	86 19 0	173 18 0
128		16 3 6	43 13 6	87 7 0	174 14 0
129		16 5 3	43 18 3	87 16 6	175 13 0
130		16 6 9	44 2 3	88 4 6	176 9 0
131		16 8 6	44 7 0	88 14 0	177 8 0
132		16 10 0	44 11 0	89 2 0	178 4 0
133		16 11 9	44 15 9	89 11 6	179 3 0
134		16 13 3	45 0 0	90 0 0	180 0 0
135		16 15 0	45 4 6	90 9 0	180 18 0
136		16 16 6	45 8 9	90 17 6	181 15 0
137		16 18 3	45 13 6	91 7 0	182 14 0
138		16 19 9	45 17 6	91 15 0	183 10 0
139		17 1 6	46 2 3	92 4 6	184 9 0
140		17 3 0	46 6 3	92 12 6	185 5 0
141		17 4 9	46 11 0	93 2 0	186 4 0
142		17 6 3	46 15 0	93 10 0	187 0 0
143		17 8 0	46 19 9	93 19 6	187 19 0
144		17 9 6	47 3 9	94 7 6	188 15 0
145		17 11 3	47 8 6	94 17 0	189 14 0
146		17 12 9	47 12 6	95 5 0	190 10 0
147		17 14 6	47 17 3	95 14 6	191 9 0
148		17 16 0	48 1 3	96 2 6	192 5 0
149		17 17 9	48 6 0	96 12 0	193 4 0
150		17 19 3	48 10 0	97 0 0	194 0 0

NOTES

The One-Monthly rates have been arrived at arithmetically, with roundings, where necessary, in accordance with the fractions rule.

Rates for other periods have been calculated in relation to the Monthly rates in accordance with the normal formulae.

The Scale only covers distances up to 150 miles because, in the Fifth Schedule to the 1957 Scheme, this is the greatest distance for which provision is made.

23 June, 1959]

[Continued]

IN THE COURT OF THE TRANSPORT TRIBUNAL

Transport Acts, 1947 and 1953

In the matter of the application of the British Transport Commission (1958 No. 1)
to confirm a British Transport Commission (Passenger) Charges Scheme

ESTIMATED ANNUAL REVENUE AT EXISTING CHARGES (BASED ON BUDGET FOR THE YEAR 1958) AND ESTIMATED ADDITIONAL ANNUAL YIELDS FROM THE SCALE OF MAXIMUM SECOND-CLASS SEASON TICKET RATES FOR DISTANCES UP TO 150 MILES LODGED WITH THE TRANSPORT TRIBUNAL IN ACCORDANCE WITH PARAGRAPH 7 OF THE INTERIM DECISION OF THE TRANSPORT TRIBUNAL DATED 8TH MAY, 1959.

	Year's Receipts at existing charges	Yield		Amount of Discount
		Gross	Discounted	
London Transport Executive	£000's 4,183	£000's 418	£000's 303	Per cent. 2½
British Railways—London Lines	12,179	1,405	920	3½
	16,362	1,823	1,223	
British Railways—Other than London Lines...	5,742	932	532	6
Total	22,104	2,755	1,755	

NOTE

(i) Estimates in respect of British Railways (other than London Lines) were not submitted in connection with the Hearing of the Draft Scheme.

(ii) The yield shown above for British Railways (other than London Lines) is an estimate specially made for inclusion in this document and is the yield from the scale when applied to season tickets at all distances. Separate figures of revenue from season tickets up to 150 miles are not available, but the revenue from season tickets for distances over 150 miles is very small.

20 June, 1959]

[Continued]

EXHIBIT BH 15 (Revised)
(London Transport only)

INCREASE IN REVENUE—LONDON TRANSPORT EXECUTIVE

ESTIMATED ANNUAL REVENUE AT EXISTING CHARGES AND ESTIMATED ADDITIONAL YIELDS FROM PROPOSED REVISED MAXIMUM CHARGES, BASED ON BUDGET FOR YEAR 1959

Item No.	Category of Charges	Railways			Central Road Services and Country Buses			Coaches			Total		
		Year's Receipts at Existing Charges (2)	Yield		Year's Receipts at Existing Charges (3)	Yield		Year's Receipts at Existing Charges (8)	Yield		Year's Receipts at Existing Charges (11)	Yield	
			Gross (3)	Dis-counted (4)		Gross (6)	Dis-counted (7)		Gross (9)	Dis-counted (10)		Gross (12)	Dis-counted (13)
	(1)	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
1	Ordinary, day return, etc. (L.T.E.—Rail) and ordinary and cheap day fares (L.T.E.—Road Services). Early morning fares on backward journeys of early morning fares by purchasers of early morning single tickets on road services covered by item 2	15,760	1,334	851	48,862	3,277	2,180	2,890	327	247	67,512	4,938	3,278
2	Early morning fares (including backward journeys of passengers travelling forward on early morning singles on road services) ...	2,125	326	228	1,698	299	242	—	—	—	3,823	625	470
3	Season ticket rates (including weekly tickets)	4,295	430	312	30	3	2	110	11	8	4,435	444	322
4	Miscellaneous charges not included in items 1-3	420	25	20	910	51	30	—	—	—	1,330	76	50
5	Clearance between B.R. and L.T.E.—Within London Area Into and out of London Area ...	1,300 —100	—	—	—	—	—	—	—	—	1,300 —100	—	—
6	TOTAL	23,800	2,115	1,411	51,500	3,630	2,454	3,000	338	255	78,300	6,083	4,120

NOTE: The allowances for loss or drop back of traffic used in calculating the discounted yields are shown on Exhibit BH 16 (Revised)

23 June, 1959]

[Continued

EXHIBIT BH 15 } Revised
Appendix F }

LONDON TRANSPORT EXECUTIVE—RAILWAYS

ESTIMATED ANNUAL REVENUE AT EXISTING CHARGES BASED ON BUDGET FORECAST FOR YEAR 1959 AND
ESTIMATED ANNUAL INCREASE IN REVENUE FROM REVISED MAXIMUM CHARGES

EARLY MORNING TRAVEL

Miles (1)	Early Morning Return Fare		Year's Receipts at Existing Charges (4)	Gross Yield (5)	Discounted Yield (6)	Remarks (7)
	Existing (2)	Proposed (3)				
	s. d.	s. d.	£	£	£	
5	1 7	1 10*	171,976	27,154	—	—
6	1 9	2 1	197,051	37,533	—	—
7	1 11	2 3	227,056	39,488	—	—
8	2 1	2 5	204,659	32,745	—	—
9	2 3	2 7	187,446	27,770	—	—
10	2 5	2 9	218,131	30,087	—	—
11	2 7	2 11	173,634	22,404	—	—
12	2 9	3 1	154,147	18,684	—	—
13	2 11	3 3	127,096	14,525	—	—
14	3 0	3 5	109,862	15,259	—	—
15	3 2	3 7	76,649	10,085	—	—
16	3 3	3 9	64,791	9,968	—	—
17	3 5	3 11	37,364	5,507	—	—
18	3 6	4 1	34,722	5,787	—	—
19	3 7	4 3	29,006	5,396	—	—
20	3 8	4 5	20,867	4,268	—	—
21	3 9	4 6	16,235	3,247	—	—
22	3 11	4 8	10,200	1,953	—	—
23	4 0	4 10	7,459	1,554	—	—
24	4 1	4 11	8,776	1,791	—	—
25	4 1	5 0	5,865	1,317	—	—
26	4 2	5 1	8,755	1,926	—	—
27	4 2	5 2	5,844	1,403	—	—
28	4 3	5 3	5,695	1,340	—	—
29	4 4	5 4	4,973	1,148	—	—
30	4 5	5 5	3,145	712	—	—
Over 30	Over 4 5	Over 5 5	13,326	3,247	—	—
Total			2,125,000	326,298	228,246	The discounted yield allows for a 4 per cent. loss of traffic.

* Ordinary fares.

EXHIBIT BH 15 } Revised
Appendix G }

LONDON TRANSPORT EXECUTIVE—ROAD SERVICES (EXCLUDING COACHES)

ESTIMATED ANNUAL REVENUE AT EXISTING CHARGES BASED UPON BUDGET FORECAST FOR YEAR 1959 AND
ESTIMATED ANNUAL INCREASE IN REVENUE FROM REVISED MAXIMUM CHARGES

EARLY MORNING TRAVEL

Miles (1)	Existing E.M. Single Fare plus Ordinary Fare for Backward Journey (2)	Proposed E.M. Single Fare plus Ordinary Fare for Backward Journey (3)	Year's Receipts at Existing Charges (4)	Gross Yield (5)	Discounted Yield (6)	Remarks (7)
	(2)	(3)				
	s. d.	s. d.	£	£	£	
5	1 7	1 10	664,673	104,947	89,555	For discontinued Yields Assumed 2 per cent. loss of Traffic.
6	1 9	2 1	444,161	84,602	68,741	
7	1 11	2 3	272,090	47,320	37,738	Assumed 3 per cent. loss of Traffic.
8	2 1	2 5	144,938	23,191	18,147	
9	2 3	2 7	117,864	17,462	13,402	
10	2 5	2 9	54,340	7,946	5,640	
Total			1,698,066	285,018	233,222	
Additional Yield by charging double Ordinary Fares on All Night Services.			—	14,000	9,000	Notional allowance made for loss of traffic.
Total over all			1,698,066	299,018	242,222	

NOTE: The figures shown under fare values include the estimated receipts from the backward journeys made at Ordinary Fares by purchasers of Early Morning tickets.

23 June, 1959]

[Continued]

LONDON TRANSPORT EXECUTIVE

EXHIBIT BH 17A

ESTIMATED PASSENGER TRAFFIC RECEIPTS (AFTER CLEARANCES)—YEAR 1959 COMPARED WITH BUDGET

ALL SERVICES

Week ended				Weekly Figures			Cumulative Figures			
				Budget	Actual Receipts	Deviation from Budget	Budget	Actual Receipts	Deviation from Budget	
									Amount	Per cent.
				£000	£000	£000	£000	£000	£000	%
January	4	...	...	1,454	1,462	+ 8	1,454	1,462	+ 8	+ .5
	11	...	...	1,459	1,473	+ 14	2,913	2,925	+ 22	+ .7
	18	...	...	1,461	1,436	- 25	4,374	4,371	- 3	- .1
	25	...	...	1,462	1,451	- 11	5,836	5,822	- 14	- .2
February	1	...	...	1,440	1,416	- 24	7,276	7,238	- 38	- .6
	8	...	...	1,432	1,419	- 13	8,708	8,657	- 51	- .6
	15	...	...	1,427	1,388	- 39	10,135	10,045	- 90	- .9
	22	...	...	1,446	1,392	- 54	11,581	11,437	- 144	- 1.2
March	1	...	...	1,482	1,482	—	13,063	12,919	- 144	- 1.1
	8	...	...	1,495	1,473	- 22	14,558	14,392	- 166	- 1.1
	15	...	...	1,515	1,506	- 9	16,073	15,898	- 175	- 1.1
	22	...	...	1,514	1,505	- 9	17,587	17,403	- 184	- 1.0
April	29 Good Friday	...	...	1,478	1,431	- 47	19,065	18,834	- 231	- 1.2
	5 Easter Monday	...	...	1,495	1,470	- 25	20,560	20,304	- 256	- 1.2
	12	...	...	1,515	1,511	- 4	22,075	21,815	- 260	- 1.2
	19	...	...	1,524	1,498	- 26	23,599	23,313	- 286	- 1.2
May	26	...	...	1,532	1,512	- 20	25,131	24,825	- 306	- 1.2
	3	...	...	1,551	1,516	- 35	26,682	26,341	- 341	- 1.3
	10	...	...	1,546	1,574	+ 28	28,228	27,915	- 313	- 1.1
	17	...	...	1,553	1,554	+ 1	29,781	29,469	- 312	- 1.0
June	24 Whit Monday	...	...	1,560	1,518	- 42	31,341	30,987	- 354	- 1.1
	31	...	...	1,539	1,540	+ 1	32,880	32,527	- 353	- 1.1
	7	...	...	1,522			34,402			
	14	...	...	1,523			35,925			
July	21	...	...	1,527			37,452			
	28	...	...	1,530			38,982			
	5	...	...	1,538			40,520			
	12	...	...	1,518			42,038			
August	19	...	...	1,518			43,556			
	26	...	...	1,522			45,078			
	2	...	...	1,536			46,614			
	9 August Monday	...	...	1,490			48,104			
September	16	...	...	1,485			49,589			
	23	...	...	1,482			51,071			
	30	...	...	1,511			52,582			
	6	...	...	1,513			54,095			
October	13	...	...	1,513			55,608			
	20	...	...	1,533			57,141			
	27	...	...	1,520			58,671			
	4	...	...	1,518			60,189			
November	11	...	...	1,519			61,708			
	18	...	...	1,503			63,211			
	25	...	...	1,511			64,722			
	1	...	...	1,526			66,248			
December	8	...	...	1,503			67,751			
	15	...	...	1,487			69,238			
	22	...	...	1,481			70,719			
	29	...	...	1,508			72,227			
December	6	...	...	1,551			73,778			
	13	...	...	1,562			75,340			
	20	...	...	1,559			76,899			
	27 Christmas	...	...	1,193			78,092			
28-31 (4 days) ...				870			78,962			
Less 3 days, 29-31 December, 1958				662			78,300			
Total 1959 ...				78,300			78,300			

23 June, 1959]

[Continued]

OBJECTORS REPRESENTATIONS

IN THE COURT OF THE TRANSPORT TRIBUNAL

1958 No. 1.

The Transport Act, 1947 as amended by the
Transport Act, 1953

IN THE MATTER OF THE DRAFT British Transport Com-
mission (Passenger) Charges Scheme, 1958

*Representations made by the London County Council pur-
suant to paragraph 8 of the Interim Decision of the
Transport Tribunal dated 8th May, 1959*

1. For the purposes of this paragraph, the London County Council assume that the effect of the Interim Decision so far as it relates to the services of the London Transport Executive is to reduce the sum sought to be obtained by increases of charges on the services of the London Transport Executive in the application herein by two and a half million pounds or thereabouts. On the basis of this assumption, the London County Council respectfully submit to the Tribunal that the necessary adjustment in the charges proposed in the said application should be effected in the manner set out in the attached statement. If the said assumption is correct, the London County Council do not request the resumption of the public inquiry.

2. If the assumption made in the preceding paragraph is incorrect and the effect of the decision is to reduce the sum to be raised by increases of charges on the services of the London Transport Executive by less than about two and a half million pounds, the London County Council would desire to have an opportunity of considering whether or not it would desire to be heard.

3. In the event of the British Transport Commission making any representations to the Tribunal on the effect of the Interim Decision, the London County Council would desire an opportunity to consider these representations and further to consider whether they would desire to be heard by the Tribunal thereon.

Lodged this 3rd day of June, 1959.

J. G. BARR,
Solicitor for the London County Council
of and whose address for service is The
County Hall, London, S.E.1.

To The Registrar of the Transport Tribunal

The Transport Act, 1947 as amended by
The Transport Act, 1953

IN THE MATTER OF THE DRAFT British Transport Com-
mission (Passenger) Charges Scheme, 1958.

Statement by London County Council

1. *Early morning fares.*—The London County Council respectfully submit that the withdrawal of the obligation upon the British Transport Commission to issue early morning tickets should be made by stages and that these stages should be inserted in the scheme. The London County Council would not regard it as unreasonable that increases in early morning fares should be equal to any increase in ordinary fares for like distances made at or about the same time. Any increase in excess of such an increase should in the opinion of the London County Council be subject to two limitations; a limitation on the amount of the increase and a limitation on the period which must elapse between one increase in early morning fares and another.

2. The London County Council respectfully submit that the yield of the proposed charges in the application should be reduced by:

- (a) the elimination of the double fare proposal for all-night buses;
- (b) the withdrawal of the proposal to charge children's fares to the nearest penny above an exact half-fare;
- (c) single stage charging on all road services of the London Transport Executive other than coaches and the application of the single stage charging to railways by an appropriate change in the fare scale; on both road and rail services of the

London Transport Executive, the important fares to be affected would be the retention of the four-penny fare for one and a half miles and the retention of the sixpenny fare for two and half miles.

3. The London County Council estimate on the basis of the figures submitted to the Tribunal that the reduction in the yield of the several charges affected by these submissions would be as follows:—

	£
I. Retention of early morning fares scale	300,000
II. (a) All-night buses	50,000
(b) Children's half-fare	400,000
(c) Retention of 4d. fare	1,000,000
(i) Retention of 6d. fare	500,000
	2,250,000
(d) Effect of new season ticket scale as submitted by the B.T.C. ...	297,000
	£2,547,000

4. The gradual abolition of early morning fares would reduce this sum and give a corresponding yield to the London Transport Executive.

5. The London County Council respectfully submit that the above adjustments in the proposed new scales of charges would spread the burden of increased fares in the fairest possible way.

6. The London County Council would like to stress that the introduction of the new maxima gives a good opportunity for restoring a Fractions Rule which would ensure that the charges for railway travel were more nearly related to the journey in fact travelled. In this connection, the Tribunal's attention is drawn to the mileage rules which operated from 1 January 1928 until August 1952 under S.J. 1927/848-851. The effect of the introduction of this rule on the yield from London Transport Executive season tickets would be a further reduction of the order of £100,000 per annum.

2nd June 1959.

The County Hall,
London, S.E.1.

County Council of Middlesex,
Guildhall, Westminster, S.W.1.
3rd June, 1959.

TRAFALGAR 7799, Extn. 112.

KENNETH GOODACRE, T.D.

Clerk & Solicitor.

Ref. CL/Hy/4990.

Dear Sir,

APPLICATION 1958 No. 1

*British Transport Commission, (Passenger) Charges
Scheme, 1959*

I refer to your letter of the 8th May enclosing an Interim Decision of the Tribunal in the above matter.

In pursuance of paragraph 8 of the Interim Decision, I am directed by the Middlesex County Council to submit the following representation:—

In the event of proposals being made which would enable a contribution to be made to Central Charges by London Transport Executive in excess of that advocated by the Commission at the hearing in respect of Application 1958 No. 1, the County Council would wish to be given the opportunity to consider such proposals and if desired to request a resumption of the public inquiry to make representations in respect thereof.

Yours faithfully,
(Sgd.) KENNETH GOODACRE,
Clerk of the County Council.

The Secretary,
Transport Tribunal,
Watergate House,
15 York Buildings,
Adelphi, London, W.C.2.

23 June, 1959]

[Continued

COPY

TELEPHONE NO. RIPPLEWAY 3880.

ARW/BC

G/4598/4.

Corporation of Barking,
Town Hall, Barking,
Essex.

17th June, 1959.

Dear Sir,

APPLICATION 1958 No. 1*British Transport Commission (Passenger) Charges Scheme*

With reference to the decision of the Tribunal to resume the Inquiry into the above Application, my Council do not propose to instruct Counsel to appear on their behalf at the resumed Inquiry but they have requested me to mention the two following points which they hope the Court may feel able to consider.

First, it does not seem quite clear from the documents issued by the Commission whether the proposals relating to Season Tickets and early morning fares apply to the London Tilbury and Southend Line as to those of the London Transport Executive railways. Presumably this is intended by the Commission as it has been settled for some time now that fares on the London Tilbury and Southend line are treated in the same way as those of London Transport.

Secondly, my Council would like the Tribunal to consider the possibility of altering the fractions rule so that the charges for railway travel relate more closely to the length of the journey. Rather a good example of this is the cost of a Season Ticket from Becontree to Tottenham Court Road which is the same as for a Season Ticket from Becontree to Bond Street—two stations further west, and it is thought that this is unfair as between the two travellers.

Yours faithful,
(Sgd) E. R. FARR,
Town Clerk.

A. J. Jones, Esq.,

The Secretary,
Transport Tribunal,
Watergate House,
15, York Buildings,
Adelphi, W.C.2.

IN THE COURT OF THE TRANSPORT TRIBUNAL**Transport Acts, 1947 and 1953**

In the matter of the application of the British Transport Commission (1958 No. 1) to confirm a British Transport Commission (Passenger) Charges Scheme

Objection (No. 47) by the Beckenham Borough Council

The Mayor Aldermen and Burgesses of the Borough of Beckenham acting by the Council of the Borough (hereinafter called "the Council") make the following representations pursuant to paragraph 8 of the Interim Decision of the Transport Tribunal dated 8th May, 1959.

1. The Council have noted the conclusions reached by the Tribunal as stated in paragraphs 2 to 6 of their Interim Decision, and recognise that they are debarred by paragraph 9 thereof from making any further representations in the present proceedings to the effect that the maximum single and return fares chargeable on the London Lines of British Railways to which paragraph 7 of the draft Scheme relates should not be as high as those chargeable, and designed to provide "headroom", on British Railways other than the London Lines under paragraph 13 thereof.

2. The Council do not accept the arguments put forward by the British Transport Commission in paragraph 1 of their representations dated 2nd June, 1959, with regard to the "just contribution" by the London Transport Executive to central charges; but are content to leave it to other objectors to examine those arguments in detail. The remaining representations hereunder are made subject to the result of such examination.

3. The Council have taken note of the revised scale of maximum second class season ticket rates supplied by the Commission in accordance with paragraph 7 of the Interim Decision, and submit herewith revised Exhibits BEC 1, 2 and 3 showing:—

- (1) the relationship between day return fares and weekly season ticket rates on London Lines under the 1952 scheme, the existing scheme and the proposed scheme as revised;
- (2) the like with regard to monthly season ticket rates; and
- (3) the increases in such fares and rates between the 1952 scheme, the existing scheme, and the proposed scheme as revised.

4. The relationship between the proposed day-return fares and the revised weekly and monthly season ticket rates, as shown in Exhibits BEC 1 and 2 (revised) is little different from the relationship under the existing scheme, and under the 1952 scheme, and probably represents as near an approximation as can be obtained with the 3d. fare unit. Exhibit BEC 3 shows that the revised season ticket rates would produce increases which are for the most part reasonably comparable with the increases in day return fares.

5. The Council again urge the Tribunal to accept the view that for London Lines of British Railways the reasonableness of season ticket rates is to be judged by comparison with day return fares, not ordinary single fares. This is the comparison made by the passenger; and is the same as the comparison between season ticket rates and ordinary fares on the L.T.E. railways. On this comparison the season ticket discount is already as low as it can reasonably be—at least as regards the distances travelled by Beckenham passengers.

6. The Council therefore submit that the season ticket rates for London Lines should not, on the present application, be permitted to exceed the rates shown in the revised scale; and that the representations of the Commission that the scale proposed in the draft Scheme should apply after 31st December, 1960, should be rejected.

7. The Commission have acknowledged in their representations that it is practicable to apply one scale of maximum season ticket rates in London and another elsewhere; and if this can be done for a limited period it can be done indefinitely.

8. The Council welcome the proposal of the Commission to retain the existing maximum ordinary single fare of 4d. for 1½ miles on L.T.E. services. This is consistent with the Council's view that fares are now becoming so high that they should so far as practicable be calculated in ½-mile instead of 1-mile stages.

9. The Council, as indicated in paragraph 2 above, do not accept the figures put forward in paragraph 7 of the representations of the Commission as the basis on which their revised proposals are calculated. It may be said, in passing, that these figures are not consistent—at least as regards 1961—with the expressed desire of the Commission, in paragraph 3 (c) of their representations, to spread fare burdens over all categories of passengers. But if the Tribunal reach the conclusion that the retention of the 1½-mile L.T.E. fare and the revised season ticket scale cannot both be applied in 1961, then the revised season ticket scale should be applied and other means found of achieving any further necessary reduction in the net annual yield to London Transport.

10. As regards 1962 and later years, the arguments put forward by the Commission are based on speculation and ought not to be accepted as justifying the granting of powers now to make further increases in fares. It should be left to the Commission to prove, if they can, in a further application that the need for any such increase has become real.

(Sgd.) R. W. STORR,
Town Clerk,
Borough of Beckenham.

Town Hall,
Beckenham, Kent.
11th June, 1959.

23 June, 1959]

[Continued]

EXHIBIT BEC 1 (revised)

LONDON AREA

COMPARISON OF SECOND CLASS DAY RETURN FARES AND WEEKLY SEASON TICKET RATES ON LONDON LINES OF BRITISH RAILWAYS, UNDER 1952 SCHEME, EXISTING SCHEME, AND PROPOSED SCHEME WITH REDUCED SCALE OF SEASON TICKET RATES

Miles (Single Journey Distance) (1)	1952			Existing			Proposed (Reduced Scale)		
	Day Return Fare (2)	Weekly Season Rate (3)	Col. (3) divided by Col. (2) (4)	Day Return Fare (5)	Weekly Season Rate (6)	Col. (6) divided by Col. (5) (7)	Day Return Fare (8)	Weekly Season Rate (9)	Col. (9) divided by Col. (8) (10)
	s. d.	£ s. d.		£ s. d.	£ s. d.		£ s. d.	£ s. d.	
5	1 4	8 0	6-00	1 8	10 0	6-00	1 10	10 9	5-86
8	2 0	10 3	5-13	2 8	13 3	4-97	2 10	14 6	5-12
9	2 4	11 3	4-82	3 0	14 3	4-75	3 2	15 6	4-89
10	2 6	12 0	4-80	3 4	15 3	4-58	3 6	16 9	4-79
11	2 10	12 9	4-50	3 8	16 3	4-43	3 10	17 9	4-63
12	3 0	13 9	4-58	3 10	17 0	4-43	4 2	18 9	4-50
13	3 4	14 6	4-35	4 2	17 9	4-26	4 6	19 9	4-39
14	3 6	15 3	4-35	4 4	18 9	4-33	4 10	1 0 9	3-34
15	3 10	16 3	4-24	4 8	19 6	4-18	5 2	1 1 9	4-21
20	5 0	19 6	3-90	6 0	1 3 6	3-92	6 10	1 6 6	3-88
25	6 4	1 2 0	3-47	7 4	1 6 3	3-58	8 6	1 10 6	3-59
30	7 6	1 4 6	3-27	8 6	1 8 9	3-38	10 2	1 14 0	3-44
40	10 0	1 10 0	3-00	11 2	1 14 3	3-07	13 6	2 0 9	3-02
50	12 6	1 17 6	3-00	13 8	2 1 9	3-05	16 10	2 10 6	3-00
60	15 0	2 5 0	3-00	16 4	2 9 3	3-02	1 0 2	3 0 6	3-00
75	18 10	2 16 3	2-99	1 0 2	3 0 9	3-01	1 5 2	3 15 6	3-00

EXHIBIT BEC 2 (revised)

LONDON AREA

COMPARISON OF SECOND CLASS DAY RETURN FARES AND MONTHLY SEASON TICKET RATES ON LONDON LINES OF BRITISH RAILWAYS, UNDER 1952 SCHEME, EXISTING SCHEME, AND PROPOSED SCHEME WITH REDUCED SCALE OF SEASON TICKET RATES

Miles (Single Journey Distance) (1)	1952			Existing			Proposed (Reduced Scale)		
	Day Return Fare (2)	Monthly Season Rate (3)	Col. (3) divided by Col. (2) (4)	Day Return Fare (5)	Monthly Season Rate (6)	Col. (6) divided by Col. (5) (7)	Day Return Fare (8)	Monthly Season Rate (9)	Col. (9) divided by Col. (8) (10)
	s. d.	£ s. d.		£ s. d.	£ s. d.		£ s. d.	£ s. d.	
5	1 4	1 8 3	21-19	1 8	1 16 0	21-60	1 10	1 18 6	21-00
8	2 0	1 17 3	18-63	2 8	2 8 0	18-00	2 10	2 12 0	18-35
9	2 4	2 0 3	17-25	3 0	2 11 6	17-17	3 2	2 16 3	17-76
10	2 6	2 3 3	17-30	3 4	2 15 0	16-51	3 6	3 0 6	17-29
11	2 10	2 6 3	16-32	3 8	2 18 6	15-95	3 10	3 4 3	16-76
12	3 0	2 9 3	16-42	3 10	3 1 6	16-04	4 2	3 7 9	16-26
13	3 4	2 12 3	15-68	4 2	3 4 6	15-48	4 6	3 11 3	15-83
14	3 6	2 15 3	15-79	4 4	3 7 6	15-58	4 10	3 14 9	15-47
15	3 10	2 18 3	15-20	4 8	3 10 6	15-11	5 2	3 18 3	15-15
20	5 0	3 10 9	14-15	6 0	4 5 0	14-17	6 10	4 15 6	13-98
25	6 4	3 19 6	12-55	7 4	4 15 0	12-95	8 6	5 10 6	13-00
30	7 6	4 8 3	11-77	8 6	5 3 9	12-21	10 2	6 3 0	12-10
40	10 0	5 5 9	10-58	11 2	6 1 3	10-86	13 6	7 8 0	10-96
50	12 6	6 3 3	9-86	13 8	6 18 9	10-15	16 10	8 11 9	10-20
60	15 0	7 0 9	9-38	16 4	7 16 3	9-57	1 0 2	9 13 0	9-57
75	18 10	8 7 0	8-87	1 0 2	9 2 6	9-05	1 5 2	11 5 0	8-94

23 June, 1959]

[Continued

LONDON AREA

EXHIBIT BEC 3—(Revised)

INCREASES IN SECOND CLASS DAY RETURN FARES, WEEKLY SEASON TICKET RATES AND MONTHLY SEASON TICKET RATES ON LONDON LINES OF BRITISH RAILWAYS, BETWEEN 1952 SCHEME, EXISTING SCHEME, AND PROPOSED SCHEME WITH REDUCED SCALE OF SEASON TICKET RATES

Miles (Single Journey Distance)	Percentage Increase in Day Return Fare			Percentage Increase in Weekly Season Rates			Percentage Increase in Monthly Season Rates		
	1952 to existing	Existing to proposed	1952 to proposed	1952 to existing	Existing to proposed (reduced)	1952 to proposed (reduced)	1952 to existing	Existing to proposed (reduced)	1952 to proposed (reduced)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
5	25.0	10.0	37.5	25.0	7.50	34.38	27.4	6.94	36.28
8	33.3	6.3	41.7	29.3	9.43	41.46	28.9	8.33	39.60
9	28.6	5.6	35.7	26.7	8.77	37.78	28.0	9.22	39.75
10	33.3	5.0	40.0	27.1	9.84	39.58	27.2	10.00	39.88
11	29.4	4.5	35.3	27.5	9.23	39.22	26.5	9.83	38.92
12	27.8	8.7	38.9	23.6	10.29	36.36	24.9	10.16	37.56
13	25.0	8.0	35.0	22.4	11.27	36.21	23.4	10.47	36.36
14	23.8	11.5	38.1	23.0	10.67	36.07	22.2	10.74	35.29
15	21.7	10.7	34.8	20.0	11.54	33.85	21.0	10.99	34.33
20	20.0	13.9	36.7	20.5	12.77	35.90	20.1	12.35	34.98
25	15.8	15.9	34.2	19.3	16.19	38.64	19.5	16.32	38.99
30	13.3	19.6	34.6	17.3	18.26	38.78	17.6	18.55	39.38
40	13.7	20.9	35.0	14.2	18.98	35.83	14.7	22.06	39.95
50	9.3	23.2	34.7	11.3	20.96	34.67	12.6	23.78	39.35
60	8.9	23.5	34.4	9.4	22.84	34.44	11.0	23.52	37.12
75	7.1	24.8	33.6	8.0	24.28	34.22	9.3	23.29	34.73

BOROUGH OF HASTINGS

Town Hall,
Hastings.
20th May, 1959.

C.T.300
846 4/19
Sir,

APPLICATION 1958, No. 1

*British Transport Commission (Passenger) Charges
Scheme, 1959*

I am instructed to acknowledge receipt of your letter of the 8th May enclosing the Transport Tribunal's interim decision on the above application.

This decision, together with the scale of maximum 2nd class season ticket rates and estimated yield figures supplied by the British Transport Commission, has now been considered by my Transport Committee, who have, as invited by the Tribunal, decided that certain representations should be made.

The Committee consider, in view of the Tribunal's decision that early morning fares should be abolished, that a reasonable time should be allowed before these reduced rate tickets are in fact abolished, so as to give to those people who now take advantage of the reduced rate of travel thereby allowed an opportunity to consider their circumstances and adjust their personal financial position to allow for the increase that is to come.

It is therefore suggested that early morning fares should not be abolished before 1960.

The Committee assume, in view of the Tribunal's interim decision, that the Tribunal are satisfied that some increase in season ticket rates is justified. On that assumption, it is requested that any increase authorised be kept to the absolute minimum.

It is the Council's policy to attract permanent residents to the Borough, including persons who work in London and who can take advantage of the recently improved rail service provided by British Railways between Hastings and London. Money has been spent on publicising the advantages of living in Hastings and this improved rail service.

It is feared that any increase in season ticket rates will have an adverse effect on the Council's policy and even

that people who have come to live here may move away if season ticket rates increase. In this connexion, it will be noted that the Transport Commission anticipate a drop of 6 per cent. in season ticket holders if the increase of approximately 25 per cent. is authorised—a drop of almost double that of travellers on the London lines.

Subject to any requirements of the Tribunal, and to any further points made by the British Transport Commission or others, the Committee do not wish to be heard again by the Tribunal, being satisfied that the Tribunal will, in coming to their final decision, have due regard to this letter, a copy of which I am sending to the Chief Solicitor of the British Transport Commission.

I am, Sir,

Your obedient Servant,
N. P. LESTER,
Town Clerk.

The Secretary,
Transport Tribunal,
Watergate House,
15 York Buildings,
London, W.C.2.

IN THE COURT OF THE TRANSPORT TRIBUNAL
1958 No. 1

BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME 1959

BRITISH TRANSPORT COMMISSION—*Applicants*

INTERIM DECISION

Representations by the Mayor Aldermen and Burgesses of the County Borough of Southend-on-Sea (hereinafter called "the Corporation") to the Court of the Transport Tribunal.

1. The submissions contained in the Statement on behalf of the Corporation lodged on the 18th February last are repeated insofar as they are not inconsistent with the conclusions stated in paragraphs 2 to 6 of the Interim Decision of 8th May, 1959.

23 June, 1959]

[Continued]

2. The Corporation reserve the right to make such further representations as may arise (a) out of representations made by the Commission or any objector upon the Interim Decision, and (b) generally if the inquiry is resumed.

Dated this 25th day of May, 1959.

(Signed) ARCHIBALD GLEN,
Town Clerk.

To: The Registrar of the Court of the Transport Tribunal,
Watergate House, 15, York Buildings,
Adelphi, London, W.C.2.

To: The British Transport Commission and their Chief
Solicitor,
21A, John Street, London, W.C.1.

The Federation of Residents' Associations in the
County of Kent,

Hon. Secretary,
H. W. Landen,
17, King George Road,
Walderslade,
Chatham.
22nd May, 1959.

Ref. C.T.300.

Sir Hubert Hull, C.B.E., President,
Transport Tribunal,
Watergate House,
15, York Buildings,
Adelphi, London, W.C.2.

Sir,

APPLICATION 1958 No. 1

British Transport Commission (Passenger) Charges Scheme, 1959

We learn with regret that the 3d. a mile rate has been approved, but that there is nothing further we can do in this connection.

As regards the latest season ticket rates we renew our protest against any increase, as the Commission have produced no figures, at least publicly, to show that the Southern Region in general, and the Southern Electric in particular, is not paying its way. May we draw your attention to the fact that passenger receipts on British Railways so far this year reflect an increase of £283,000 over the figures for the corresponding period for 1958, whereas London Transport report a fall of £1,454,000.

Any impost to bolster the Executive by taxing the London Lines is certain to stimulate the flight to private enterprise by way of private transport. May we recall that it was the closing of so many London lines that, to a large extent was responsible for the present street congestion and rush hour problems.

Since it seems likely that in actual practice, the North of England will not share the burden, it cannot be justified on the grounds that the industry must be regarded as a whole—always a very dangerous doctrine. We are not unmindful that it is only too likely that an effort will be made to unload on to the Southern the bulk of the £3,000,000 a year loss to be made on the Victoria tube to be built in opposition to British Railways.

Moreover, and re-inforced by the figures quoted above, no rational explanation has been given as to why passengers on the L.T.E. services and L.T.S. lines are granted more favourable terms than elsewhere, a process that can only tend to rob the London lines of business and intensify the traffic problem. The disappearance of the ½ mile fare stage alone has robbed the railways of slack hour traffic, since the bus passenger can adjust his journey to the exact fare.

No safeguard appears to protect the red line ticket from London to Thanet. The 3 months rate to Ramsgate can, if the Commission so decide, rise from about £18 to £30 19s. 0d. We remember the fate of the red line ticket on the Bexleyheath line.

May we please ask you to give still further attention to these matters before irreparable damage is done to public passenger transport.

I am, Sir,
Your obedient Servant,
(Sgd.) H. W. LANDEN,
Hon. Sec.

SOUTH EAST ESSEX RAILWAY TRAVELLERS' ASSOCIATION

Formerly Benfleet & District Railway Travellers' Association

Hon. Secretary:
A. E. Rogers,
"Kimbrook,"
80, St. Mary's Drive,
South Benfleet, Essex.

28th May, 1959.

The Secretary,
Transport Tribunal,
Watergate House,
15, York Buildings,
Adelphi, W.C.2.

Dear Sir,

APPLICATION 1958 No. 1

British Transport Commission (Passenger) Charges Scheme, 1959

With reference to the interim decision of the Tribunal in the above matter, my Committee ask that the Tribunal in considering Item 5 (early morning fares) should bear in mind that the withdrawal of the obligation to provide early morning fares will inevitably result in a considerable number of passengers travelling later. My Committee therefore submit that the obligation should not be withdrawn until such time as the Transport Commission are in a position to supply adequate seating to carry the additional load during peak hours.

Further, it is my Committee's view that any increase in the fares specified in the 3rd, 7th, and 12th Schedules to the 1957 Scheme should be proportionately not greater than the permitted increase in season ticket rates.

I am, Sir,
Yours faithfully,
(Sgd.) A. E. ROGERS,
Hon. Sec.

ADMINISTRATION OF THE COUNTY OF KENT

TELEPHONE: MAIDSTONE 4321. County Hall,
PRIVATE BRANCH EXCHANGE. Maidstone.

Your Ref.: C.T. 300.
My Ref.: G/P. 4th June, 1959.

Dear Sir,

Draft British Transport Commission (Passenger) Charges Scheme, 1958

With reference to the Tribunal's interim decision in the above matter and to the subsequent revised scale for season tickets submitted by the British Transport Commission, I append the following representations which have been received by the County Council from the Margate Chamber of Commerce:—

"With the granting of authority to the British Transport Commission by the Transport Tribunal to increase railway fares as and when the Commission considers it opportune, without further reference to the Transport Tribunal, my Chamber registers its strongest disapproval of any further increases in railway fares, including season tickets, on the following grounds:

- (1) That an increase in season ticket fares might materially reduce the number of such travellers to London resident in Margate and the other Thanet towns.

23 June, 1959]

[Continued]

- (2) That any general increase in railway fares can only lead to an increase in the cost of living index contrary to the present Government's aim to stabilise and reduce the present cost of living figure.
- (3) That any increase in fares and the cost of living would automatically call for a demand for higher wages among workers, and thereby tend to provoke further industrial unrest.
- (4) With the present employment position in the Thanet towns, any increase in fares might lead to residents seeking employment in London and elsewhere, necessitating removal from the Thanet towns to live nearer their employment, thus tending to recreate congestion in those towns contrary to the Government's present policy to relieve such towns and to provide industrial development in the Thanet area.
- (5) That any increase in fares would nullify the anticipated increase in population and prosperity of the Thanet towns consequent on the extensive road development scheme now taking place between London and the south-east Kent coastal towns and the heavy expenditure by the British Transport Commission on the electrification of the railway to Thanet to be introduced on the 15th June this year.

For the future welfare of the Thanet towns, therefore, and in the interests of the travelling public generally, and in particular season ticket holders, my Chamber respectfully urges the Kent County Council to make the strongest representations to the Transport Tribunal opposing any further increases in railway fares.

Yours faithfully,
(Sgd.) G. BISHOP,
Clerk of the County Council.

The Registrar,
Transport Tribunal,
Watgate House,
15, York Buildings,
Adelphi, London, W.C.2.

IN THE COURT OF THE TRANSPORT TRIBUNAL 1958 No. 1

BRITISH TRANSPORT COMMISSION—Applicants

NOTICE BY THE MAYOR, ALDERMEN AND BURGESSES OF THE
BOROUGH OF MAIDSTONE

TAKE NOTICE that the Mayor Aldermen and Burgesses of the Borough of Maidstone (hereinafter called "the Corporation") desire to attend and be heard on this Application which they will oppose on the following grounds:—

1. No grounds are indicated in the application for the additional charges proposed.
2. The Press statement accompanying the application refers to providing "headroom" for such general or selective adjustments of passenger charges as may be necessary in the future within the permitted maxima without the necessity of having to make applications for specific increases of specific fares at relatively short notice, thus allowing the Commission to pursue a more flexible commercial policy. The Corporation do not consider that the past record of the British Transport Commission has been such as to warrant giving them powers to increase passenger fares without specific applications for each such increase supported by all necessary evidence and they consider

such an application to be contrary to the principles underlying the control of public transport fares.

3. The Corporation consider that when an increase in the cost of a service is proposed one is entitled to have regard to the standard of service at present being provided, and they consider the present standard of the service provided by the British Transport Commission to the inhabitants of the Borough inadequate in (inter alia) the following respects:—

(a) Frequency of services between Maidstone East and London

Even after Phase 1 of the North Kent Electrification Scheme comes into operation on 15th June, 1959, the frequency of the London service from Maidstone East is one train per hour except between 7 a.m. and 9 a.m. on Mondays to Fridays when there are five trains from Maidstone East to London and between 5 p.m. and 7 p.m. on Mondays to Fridays when there are four trains. Similarly the frequency of trains from London to Maidstone East remains at one train per hour except between 6 a.m. and 9 a.m. on Mondays to Fridays when four trains arrive from London and between 4 p.m. and 8 p.m. on Mondays to Fridays when eight trains arrive from London.

- (b) Even after Phase 1 of the North Kent Electrification Scheme comes into operation on 15th June, 1959, the hourly trains to and from Maidstone East take in the up direction 63 minutes to cover the 40 miles and in the down direction 64 minutes. Four of the five trains from Maidstone East to London between 7 a.m. and 9 a.m. on Mondays to Fridays take between 66 and 76 minutes.

Between Maidstone West and London "semi-fast" trains normally take in the up direction 84 minutes to cover the 42½ miles and in the down direction 83 minutes.

(c) Enquiry Office

There is no British Railways enquiry office in Maidstone although one has recently been requested from the Commission.

4. The Corporation consider the present service provided by the British Transport Commission to the inhabitants of the Borough totally inadequate having regard to the size and importance of this County Town of Kent and to the service provided by the British Transport Commission to similar towns about the same distance from London.
 5. The application does not give any indication of measures taken, or proposed to be taken, by the British Transport Commission to ensure a more efficient and economical operation of their services.
- On the contrary despite a number of letters from the Town Clerk to the British Transport Commission, the Commission are unwilling to give any undertaking that there will be any improvement in the existing train service between Maidstone East and London following the completion of Phase 2 of the North Kent Electrification Scheme.

AND FURTHER TAKE NOTICE that the interest of the Corporation is that of a Local Authority within the meaning of Section 81 of the Transport Act, 1947, as amended by Section 20 of the Transport Act, 1953, within whose area are resident persons using the services to which the application relates.

LODGED this Third day of June, 1959.

(Sgd.) T. SCHOLES,
Town Clerk and Solicitor,
13, Tonbridge Road,
Maidstone.

To:—The British Transport Commission
and their Solicitors.

To:—The Registrar.

23 June, 1959]

[Continued]

IN THE COURT OF THE TRANSPORT TRIBUNAL
B.T.C. (PASSENGER) CHARGES SCHEME

EXHIBIT SWH 8

INTERIM DECISION

ASSESSMENT OF ADDITIONAL REVENUE REQUIREMENT

	1959	1960	1961	1962	1963
	£m.	£m.	£m.	£m.	£m.
1. Basic amount...	5.4	5.4	5.4	5.4	5.4
2. Interest on additional capital (as below) ...	—	0.3	0.6	1.0	1.3
3. Margin ...	—	2.5	2.5	2.5	2.5
4. Total ...	5.4	8.2	8.5	8.9	9.2
5. Net Receipts on present Fares (P.J. 11) ...	5.0	5.0	5.0	5.0	5.0
6. Additional revenue requirement ...	0.4	3.2	3.5	3.9	4.2

ADDITION FOR INTEREST ON NET CAPITAL REQUIREMENTS

	1959	1960	1961	1962	1963
	£m.	£m.	£m.	£m.	£m.
7. Gross capital outlay ...	7.4	12.6	16.9	13.1	13.1
8. Realisation from sale or scrap ...	1.0	0.5	0.5	(see note)	
9. Less internal finance:					
10. Depreciation (1959) ...	3.5	3.5	3.5	3.5	3.5
11. Margin ...	—	2.5	2.5	2.5	2.5
12. Transfer from Maintenance Equalisation provision ...	-0.7	-0.7	-0.2		
13.	2.8	5.3	5.8	6.0	6.0
14. Additional interest ...	3.6	6.8	10.6	7.1	7.1
		0.3	0.6	1.0	1.3

NOTE.—Capital expenditure, 1962 and 1963, £26.2m., includes £19m. referred to by Mr. Pay—19th Day, page 428. Allowed half to each year.
June, 1959.

IN THE COURT OF THE TRANSPORT TRIBUNAL

EXHIBIT SWH 9

B.T.C. (PASSENGER) CHARGES SCHEME

ALTERNATIVE TABLE

INTERIM DECISION

ASSESSMENT OF ADDITIONAL REVENUE REQUIREMENT

	1959	1960	1961
	£m.	£m.	£m.
1. Basic amount ...	5.4	5.4	5.4
2. Interest on additional capital (as below) ...	—	0.3	0.6
3. Margin...	—	2.5	2.5
4. Total ...	5.4	8.2	8.5
5. Net receipts (P.J. 11) ...	5.0	5.0	5.0
Less: Additional working expenses for depreciation after deducting savings:			
6. B.T.C. Memorandum 2/6/59 ...	—	0.2	0.6
7. Extended—by reference to future capital expenditure (approx.) ...	—	—	—
8.	5.0	4.8	4.4
9. Additional revenue requirement ...	0.4	3.4	4.1

23 June, 1959]

[Continued]

ADDITION FOR INTEREST ON NET CAPITAL REQUIREMENTS

	1959	1960	1961
	£m.	£m.	£m.
10. Gross capital outlay	7.4	12.6	16.9
11. Realisation from sale or scrap	1.0	0.5	0.5
12.	6.4	12.1	16.4
<i>Less internal finance:</i>			
13. Depreciation	3.5	3.8	4.3
14. Margin	—	2.5	2.5
15. Transfer from Maintenance Equalisation provision	-0.7	-0.7	-0.2
16.	2.8	5.6	6.6
17.	3.6	6.5	9.8
18. Additional interest	—	0.3	0.6

June, 1959.

Observations of Middlesex County Council on the British Transport Commission's Memorandum of Representations on the Transport Tribunal's Interim Decision

1. The Council wish to make two observations on the Representations of the British Transport Commission.

2. The Council's first observation is that the Commission's figures of central charges brought out by both calculation (a) and calculation (b) on page 3 of their Representations are excessive.

On the basis of Mr. Lawson's calculation of central charges the revised yield estimated by the Commission will exceed "a just contribution to the central charges" by the following amounts:—

1959	£0.42m.
1960	£0.33m.
1961	£0.12m.

3. The Council's second observation is that, on present evidence, the central charges and revenue charges for depreciation are unlikely to increase so much in 1962 and subsequent years as to warrant the Commission submission in paragraph 7 of their Representations that the maximum charges in the original draft Scheme should apply as from 1st January, 1962.

4. The provisions of the original Draft Scheme which the Commission contend should come fully into operation in 1962 should not be approved by the Tribunal until further evidence has been considered by it in due course.

5. In support of their observations the Council have had statements prepared by Mr. Lawson, namely, Supplement to revised Exhibit WHL 1 and Supplement to revised Exhibit WHL 2. These supplements with supporting Schedules are attached hereto.

6. These Supplements are extensions of the revised WHL Exhibits which adapted the original WHL Exhibits on the basis indicated by the President of the Tribunal (see page 447 of Minutes of Evidence, top of right-hand column). This involved deleting from the original Exhibits:—

(a) Income from "surplus lands";

(b) £0.1m. per annum from the charge for interest on British Transport Stock;

(c) The adjustments for maintenance equalisation;

and, in addition, recalculating the interest on "surplus funds" to take into account the effect of (a), (b) and (c) above.

7. For the purpose of these observations the Council have accepted the figures quoted by the Commission in their Representations as to the yield to be derived from their revised Scheme. The attached Exhibits are limited to setting out Mr. Lawson's calculation of "a just contribution to the central charges of the Commission" as compared with the two alternatives in the Commission's Representations.

8. As regards the first observation, the Council consider that the following additional information may be of assistance to the Tribunal:—

The Supplement to revised Exhibit WHL 1 indicates that the yield from the revised Scheme will result in a surplus exceeding that required by the Tribunal's Interim Decision, as follows:—

1959	£0.42m.
1960	£0.33m.
1961	£0.12m.

The amounts of central charges for the years 1958 to 1961 inclusive are set out hereunder, analysed as to the charge for interest and other charges.

	Per Supplement to revised exhibit WHL 1	Per Appendix C of Representations	Difference
	£m.	£m.	£m.
1958 Interest	5.20	5.46	0.26
Other charges	0.62	0.70	0.08
	5.28	6.16	0.34
1959 Interest	5.27	5.60	0.33
Other charges	0.61	0.70	0.09
	5.88	6.30	0.42
1960 Interest	5.47	5.84	0.37
Other charges	0.60	0.70	0.10
	6.07	6.54	0.47*
1961 Interest	5.87	6.25	0.38
Other charges	0.61	0.70	0.09
	6.48	6.95	0.47*

The differences for 1960 and 1961, marked*, differ from the excess yields as £0.33m. and £0.12m. respectively indicated above. The reason for this is that the proposals in the Commission's Representations result in yields lower than those which could be claimed on the basis of their calculation of central charges as set out in column 15 of Appendix C.

9. The figures in the above table are derived from the following sources:—

The interest per Supplement to Revised Exhibit WHL 1 comprises:—

Interest on British Transport Stock (Item No. 3)
Less:—Interest on "Surplus Funds" (Item No. 9).

The interest per Appendix C of Representations comprises:—

Interest on capital obligations (Col. 1).

Interest on capital expenditure (Col. 8).

Interest on accumulated surplus or deficit (Col. 14).

The "other charges" per Supplement to revised Exhibit WHL 1 comprise:—

Central Administration Expenses (Item No. 2).

Amortisation of discount on British Transport Stock (Item No. 4).

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[Continued]

Provision for redemption of British Transport Stock (Item No. 5).

Less:—Income from investments in respect of British Transport Stock Redemption Fund (Item No. 7).

The "other charges" per Appendix C of Representations comprise:—

10 per cent. of central expenses of the Commission (Col. 13).

10. The excess of the charge for interest on the Commission's basis as set out in Appendix C of Representations by comparison with the corresponding charge on Mr. Lawson's basis may be approximately explained as follows:—

(a) The total borrowings for the ten years 1948 to 1957 according to Exhibit PJ 16 exceeded by £3.8m. the amount of surplus funds utilised as indicated on Exhibit WHL 1—Revised, partly as a result of the £2.8m. Income Tax recovery which Mr. Lawson considered attributable to London Transport. Interest at 5 per cent. per annum on this amount of £3.8m. is included in the interest charge for 1958 to 1961 per Appendix C.

(b) On Exhibit PJ 16 the surplus funds taken over from the L.P.T.B. were regarded as reducing the capital obligations issued on behalf of London Transport so that by 1952 London Transport financing was regarded as being made out of Stock issues bearing 4 per cent. interest. On Mr. Lawson's basis, however, this financing was regarded as being made out of surplus funds with 3 per cent. interest so that financing out of Stock issues with higher interest rates is not regarded as necessary until 1960 when the surplus funds are estimated to be exhausted.

11. The excess of the "other charges" (i.e. other than for interest) as estimated by the Commission over those as estimated by Mr. Lawson cannot be readily reconciled as the Commission assume that one-tenth of all the items they include under this heading are attributable to London Transport, whereas Mr. Lawson has specifically allocated all the items concerned except central administration expenses.

12. It should be pointed out that if it were considered necessary to reduce the net receipts so as to eliminate the excess yield produced by the Revised Scheme as indicated on the Supplement to revised Exhibit WHL 1 (Item No. 13) it would, strictly, not be sufficient to reduce the net receipts by the amounts shown as Item 13. The exact reduction of net receipts would have to take into account the interest factor, which would affect only the second place of decimals.

13. As regards the calculation (a) of central charges set out on page 3 of the Commission's Representations, it is not possible to make any detailed comparison thereof with Mr. Lawson's figures as the basic "contribution to central charges" of £6.0m. is a relatively arbitrary one based on the exercise of "skill and judgment" and various tests applied by the Commission.

14. The second observation of the Council is that, on present evidence, the central charges and revenue charges for depreciation are unlikely to increase so much in 1962 and subsequent years as to warrant the Commission's submission in paragraph 7 of their Representations that the maximum charges in the original draft Scheme should apply as from 1st January, 1962.

On page 8 of the Commission's Representations (foot of page) it is stated:—

"As regards 1962 and subsequent years, it is apparent that central charges and revenue charges for depreciation will continue to increase and there is no reason to suppose that these increases will be offset by reduc-

tions in working expenses or increased traffic; indeed the reverse is probable. In these circumstances the Commission consider that by 1962 the maximum charges sought by the draft Scheme as lodged will be needed. The Commission therefore submit that the maximum charges in the draft Scheme as lodged should apply on and after 1st January, 1962."

Although no comment can be made at this time on future working expenses or traffic, the Council considers the Commission's statement that "central charges and revenue charges for depreciation will continue to increase" may be questioned.

On the basis of evidence given on behalf of the Commission their financing requirements in 1962 and 1963 may be set out as follows:—

Capital Expenditure—

Total for 1959 to 1963 per Q.615 and Statement on page 411	£44m.
Less:—Total for 1959 to 1961 per Q.638 and Q.2796	£37m.

Balance for 1962 and 1963	£ 7m.
Deduct:—Realisations from sale or scrap, say	—

£ 7m.

Less:—Internal Finance—

Depreciation provisions, say 2 years at £4.4m. per annum (based on Appendix A of Representations)	£8.8m.
Revenue margin, 2 years at £2.5m. per annum	£5.0m.
Adjustment for Maintenance Equalisation Expenditure, say 2 years at £0.4m. excess expenditure (based on Appendix A)	—£0.8m.

£13.0m.

Excess of Internal Finance over Capital Expenditure (i.e. £3.0m. each year)	£ 6.0m.
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If there are any realisations from sale or scrap the available finance will be correspondingly increased.

Based on the foregoing statement of capital expenditure and financing, the effect of capital expenditure on the net revenue surplus for each of the years 1962 and 1963 may be estimated as follows:—

Additional Depreciation Charge:—£7.0m., depreciated over, say, 25 years	£0.28m.
Less:—Interest at 5 per cent. on average surplus finance accruing over the two years 1962 and 1963, i.e. on £3.0m.	£0.15m.

Net additional annual charge to revenue in 1962 and 1963 by comparison with 1961...	£0.13m.
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15. This net additional charge of £0.13m. per annum would, in effect, approximately cancel the excess yield of £0.12m. for 1961, referred to in paragraph 2 above. It follows that the Commission's submission, on page 8 of their Representations, that the revenue should be increased from 1962 onwards by £1.1m. per annum by an increase in Ordinary fare charges is not justified and should not be approved.

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[Continued]

Supplement to revised
EXHIBIT WHL 1

NET SURPLUS OR DEFICIT, 1958 TO 1961

Statement of net surplus or deficit estimated to be attributable to London Transport on the basis of Mr. Lawson's evidence,
i.e. Exhibit "WHL 1—Revised" extended to 1961

Item No.		1958		1959		1960		1961	
		£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1	Net Receipts		1.80		6.30		8.90		9.10
	Deduct: Central Charges—								
2	Central Administration Expenses	0.20		0.20		0.20		0.20	
3	Interest on British Transport Stock	5.32		5.32		5.47		5.87	
4	Amortisation of Discount on British Transport Stock	0.06		0.06		0.06		0.06	
5	Provision for redemption of British Transport Stock	0.50		0.51		0.53		0.56	
6		6.08		6.09		6.26		6.69	
	Less:								
7	Income from Investments in respect of British Transport Stock Redemption Fund	0.14		0.16		0.19		0.21	
8		5.94		5.93		6.07		6.48	
	Less:								
9	Interest on "Surplus Funds"	0.12		0.05		—		—	
10	Central Charges		5.82		5.88		6.07		6.48
11	Net Surplus or Deficit		—4.02		0.42		2.83		2.62
12	Surplus required by Tribunal's Interim Decision				—		2.50		2.50
13	Excess yield from revised Scheme				0.42		0.33		0.12

Supplement to revised
EXHIBIT WHL 2

SURPLUS FUNDS AND BORROWINGS, 1958 TO 1961

Statement showing movements on surplus funds and borrowings estimated to be attributable to London Transport
on the basis of Mr. Lawson's evidence, i.e. Exhibit "WHL 2—Revised" extended to 1961

Item No.		1958		1959		1960		1961	
		£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1	"Surplus Funds" at beginning of year		4.80		3.27		0.09		12.30
2	Deduct: Net Capital Expenditure		—2.49		3.60		9.00		
3			7.29		—0.33		—8.91		—12.30
	Add:								
4	Net Surplus before interest on "Surplus Funds"	—4.14		0.37		2.83		2.62	
5	Interest on "Surplus Funds"	0.12		0.05		—		—	
6	Net Surplus or Deficit		—4.02		0.42		2.83		2.62
7	"Surplus Funds" at end of year		3.27		0.09		—6.08		—9.68
8	Average "Surplus Funds"		4.03		1.68				
9	Interest at 3 per cent		0.12		0.05				
10	Additional borrowing						Say 6.1		Say 9.7

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[Continued]

SUPPORTING SCHEDULE TO SUPPLEMENT TO REVISED EXHIBIT WHL 1, SETTING OUT CALCULATION OF FIGURES THEREIN

NOTE.—References are to pages and Appendices of The British Transport Commission's Memorandum of Representations dated 2nd June, 1959, unless otherwise indicated.

	£m.	£m.
Net Receipts (Item No. 1)		
1958—Per Appendix "C", column 11	...	1-80
1959—Per Appendix "C", column 11	...	6-30
1960—Net receipts at existing charges, adjusted for depreciation and savings, per page 3	4-8	8-90
Revised yield from proposed increases, per page 8	4-1	
1961—Net receipts at existing charges, adjusted for depreciation and savings, per page 3	4-4	8-90
Revised yield from proposed increases, per page 8	4-7	
Central Administration Expenses (Item No. 2)		
1/10th of actual for 1956 was £185,000.		
1/10th of actual for 1957 was £202,000.		
Estimate for each of the years 1958 to 1961	...	0-20
Interest on B.T. Stock (Item No. 3)		
1957—Charge per "WHL 1—Revised" included:—		
Stock issue for L.P.T.B. Stock	£128-08m.	
Stock issued for "transferred lines"	£12-20m.	
	£140-28m.	
Interest at 3 per cent	...	4-208
Stock issued in 1955 for L.E.T.F.C. Loans repayment	£30-2m.	
Interest at 4 per cent	...	1-208
Less: Adjustment re Stock assumed to have been issued for "Surplus Lands"		
	5-416	
	0-1	5-32
1958—As for 1957	...	5-32
1959—As for 1957	...	5-32
1960—As for 1957	...	5-32
Interest on additional borrowing in 1960, i.e. on £6-1m. for ½ year at 5 per cent	5-32	
	0-15	5-47
1961—As for 1957	...	5-32
Interest on additional borrowing in 1960, i.e. on £6-1m. at 5 per cent	...	0-31
Interest on additional borrowing in 1961, i.e. on £9-7m. for ½ year at 5 per cent	...	0-24
	...	5-87
Amortisation of discount in B.T. Stock (Item No. 4)		
This discount is in respect of the B.T. Stock issued in 1955 re L.E.T.F.C. Loans. The annual amortisation is £62,000	...	0-06
Provision for redemption of B.T. Stock (Item No. 5)		
1957—Charge per "WHL 1—Revised" included:—		
Capital element—on £170-48m. Stock (£140-28m. plus £30-2m.—see under Item 3 above)	...	0-385
Interest element—3 per cent on accumulated provision to 31st December, 1956, i.e. on £3-219m.	...	0-097
1958—Capital element—as for 1957	...	0-385
Interest element—3 per cent on £3-701m. (£3-219m. plus £0-482m.)	...	0-111
1959—Capital element—as for 1957	...	0-385
Interest element—3 per cent on £4-197m. (£3-701m. plus £0-496m.)	...	0-126
1960—Capital element—as for 1957	...	0-385
Interest element—3 per cent on £4-708m. (£4-197m. plus £0-511m.)	...	0-141
1961—Capital element—as for 1957	...	0-385
additional charge re additional borrowing of £6-1m. in 1960	...	0-015
	...	0-400
Interest element—3 per cent on £5-234m. (£4-708m. plus £0-526m.)	...	0-157
	...	0-56

Income from Investments in respect of B.T. Stock Redemption Fund (Item No. 7)

	Income from Investments acquired in the previous year			Income from Investments acquired in earlier years		Total	
	Investment	Rate	Income	Income			
		Per cent	£m.	£m.	£m.	£m.	£m.
1957					0-106		
1958	£0-48m. in 1957	6-0	0-029	0-106	0-135	0-14	
1959	£0-50m. in 1958	5-5	0-028	0-135	0-163	0-16	
1960	£0-51m. in 1959	5-0	0-025	0-163	0-188	0-19	
1961	£0-53m. in 1960	5-0	0-026	0-188	0-214	0-21	

NOTE.—The interest rates for 1957 and 1958 are average Bank Rates for those years; the rates for 1959 and 1960 are the same rates as assumed by the Commission in respect of borrowings in those years.

Interest on "Surplus Funds" (Item No. 9)

Taken from supplement to revised Exhibit WHL 2, Item No. 9.

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[Continued

*Supporting Schedule to Supplement to revised
exhibit WHL 2*

"Surplus Funds" at the beginning of 1958

This figure is taken from Exhibit "WHL 2—Revised" and corresponds to the balance at the end of 1957.

Net capital expenditure

These figures are taken from column 4 of Appendix "C" of the Commission's Memorandum of Representations. As indicated in Appendix "A" of the same document adjustments have been made for maintenance equalisation. This obviates the necessity of dealing separately in this supplementary exhibit with the maintenance equalisation movements as had been the case in Exhibit "WHL 1—Revised".